183

U.S. EXPORTS

4. SM 1: 103-10

S. Export, Serial No. 103-10, 103...

HEARING

BEFORE THE

SUBCOMMITTEE ON RURAL ENTERPRISES, EXPORTS, AND THE ENVIRONMENT

OF THE

COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

WASHINGTON, DC, APRIL 28, 1993

Printed for the use of the Committee on Small Business

Serial No. 103–10

SUPERINTENDENT OF DOCUMENTS

OCT 5 1993

BOSTON PUBLIC LIBRARY
GOVERNMENT DOCUMENTS DEPARTMENT

U.S. GOVERNMENT PRINTING OFFICE

67-723 WASHINGTON : 1993

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-041209-9

67-723 O - 93 - 1

153

U.S. EXPORTS

4. SM 1:103-10

.S. Export, Serial No. 103-10, 103...

HEARING

BEFORE THE

SUBCOMMITTEE ON RURAL ENTERPRISES, EXPORTS, AND THE ENVIRONMENT

OF THE

COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

WASHINGTON, DC, APRIL 28, 1993

Printed for the use of the Committee on Small Business

Serial No. 103–10

SUPERINTENDENT OF DOCUMENTS
OCT 5 1993
BOSTON PUBLIC LIBRARY
GOVERNMENT DOCUMENTS DEPARTMENT

U.S. GOVERNMENT PRINTING OFFICE

67-723 WASHINGTON : 1993

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-041209-9

67-723 O - 93 - 1

COMMITTEE ON SMALL BUSINESS

JOHN J. LaFALCE, New York, *Chairman*

NEAL SMITH, Iowa
IKE SKELTON, Missouri
ROMANO L. MAZZOLI, Kentucky
RON WYDEN, Oregon
NORMAN SISISKY, Virginia
JOHN CONYERS, Jr., Michigan
JAMES H. BILBRAY, Nevada
KWEISI MFUME, Maryland
FLOYD H. FLAKE, New York
BILL SARPALIUS, Texas
GLENN POSHARD, Illinois
EVA M. CLAYTON, North Carolina
MARTIN T. MEEHAN, Massachusetts
PAT DANNER, Missouri
TED STRICKLAND, Ohio
NYDIA M. VELAZQUEZ, New York
CLEO FIELDS, Louisiana
MARJORIE MARGOLIES-MEZVINSKY, Pennsylvania
WALTER R. TUCKER III, California
RON KLINK, Pennsylvania
LUCILLE ROYBAL-ALLARD, California
EARL F. HILLIARD, Alabama
H. MARTIN LANCASTER, North Carolina
THOMAS H. ANDREWS, Maine
MAXINE WATERS, California

JAN MEYERS, Kansas
LARRY COMBEST, Texas
RICHARD H. BAKER, Louisiana
JOEL HEFLEY, Colorado
RONALD K. MACHTLEY, Rhode Island
JIM RAMSTAD, Minnesota
SAM JOHNSON, Texas
WILLIAM H. ZELIFF, Jr., New Hampshire
MICHAEL A. "MAC" COLLINS, Georgia
SCOTT McINNIS, Colorado
MICHAEL HUFFINGTON, California
JAMES M. TALENT, Missouri
JOE KNOLLENBERG, Michigan
JAY DICKEY, Arkansas
JAY KIM, California
DONALD A. MANZULLO, Illinois
PETER G. TORKILDSEN, Massachusetts

Jeanne M. Roslanowick, *Staff Director*
Steven Lynch, *Minority Staff Director*

Subcommittee on Rural Enterprises, Exports, and the Environment

BILL SARPALIUS, Texas, *Chairman*

EVA M. CLAYTON, North Carolina
PAT DANNER, Missouri
GLENN POSHARD, Illinois
TED STRICKLAND, Ohio
EARL F. HILLIARD, Alabama

JOEL HEFLEY, Colorado
JIM RAMSTAD, Minnesota
DONALD A. MANZULLO, Illinois
MICHAEL A. "MAC" COLLINS, Georgia

Christopher Mattson, *Subcommittee Staff Director*
Brian Reardon, *Minority Subcommittee Professional Staff Member*

CONTENTS

Page

Hearing held on April 28, 1993 1

WITNESSES

WEDNESDAY, APRIL 28, 1993

Chiaruttini, Giordano, Acting Director of Office of International Trade, U.S. Small Business Administration 30
Cole, Suzanne M., vice president, Analytical and Biological Laboratories, Inc... 6
Ford, Charles, Deputy Assistant Secretary for International Operations, U.S. Department of Commerce 26
Littlejohn, Virginia, president, Global Strategies, on Behalf of U.S. Chamber of Commerce and the National Association of Women Business Owners 3
Mendelowitz, Allan I., Director, International Trade, Finance, and Competitive Issues, General Government Division, General Accounting Office 21
Menes, Jonathan C., Acting Assistant Secretary for Trade Development, U.S. Department of Commerce 24

APPENDIX

Opening statements:
- Hefley, Hon. Joel 47
- Ramstad, Hon. Jim 48
- Sarpalius, Hon. Bill 44

Prepared statements:
- Chiaruttini, Giordano 126
- Cole, Suzanne M. 55
- Ford, Charles 110
- Littlejohn, Virginia 49
- Mendelowitz, Allan I. 69
- Menes, Jonathan C. 90

U.S. EXPORTS

WEDNESDAY, APRIL 28, 1993

House of Representatives,
Subcommittee on Rural Enterprises,
Exports, and the Environment,
Committee on Small Business,
Washington, DC.

The subcommittee met, pursuant to notice, at 1 p.m., in room 2359–A, Rayburn House Office Building, Hon. Bill Sarpalius (chairman of the subcommittee) presiding.

Chairman Sarpalius. We will go ahead and get started. The Small Business Subcommittee on Development of Rural Enterprise, Exports, and the Environment will come to order.

I want to thank all of you for coming here today. This hearing will ask what can be done to help small businesses export. Do they need special assistance, and which agency is best suited to meet the needs of small businesses? Based on this information, the subcommittee will evaluate and look to streamline export assistance programs to make them more user friendly.

Export related jobs tend to be high-wage jobs. Furthermore, since small businesses account for just over half of all the jobs in America, increasing small business exports could result in the creation of many high-wage positions.

Unfortunately, less than 10 percent of all American small businesses, and that is a generous figure, are involved in exporting. In today's global economy, it is imperative that the U.S. businesses get involved in exporting. It is the only way we will maintain our competitive edge. We live in a different world today, and to be competitive, we need to realize that we live in a global market.

U.S. business needs to learn how to compete internationally, and it needs to learn how to become more aggressive exporters. This is an area where there is much room for improvement. In 1991, U.S. exports accounted for only 7.5 percent of the gross domestic product, compared with 25.8 percent for Germany, and 17.8 percent for France.

We need to be creative in encouraging U.S. exports, and use every tool at our disposal. So far, we have failed to do so. In 1993, the United States will offer $350 million in tied-aid financing, to help facilitate U.S. capital goods exports, while Japan, Germany, and other nations are expected to spend over $10 billion each for the same purpose.

The U.S. Government has been slow to rise to the challenge of increasing the volume of American exports. With over 100 programs scattered among 10 agencies, and you will hear today some

testimony as high as 19 agencies, the Federal Government has responded to the export challenge in a disjointed manner. It just does not make sense for us to have 10 agencies with over 100 different programs all working in different directions. We have been using a shotgun approach with little direction. It is time for us to use a rifle approach and hit our goals.

Competing globally requires that businesses export and capture markets in other countries, especially small firms. Why small businesses? Because America's small businesses can be a source of tremendous growth for this Nation. Their exporting to many different nations can be an excellent source of economic stability, and a chance for long term, sustainable growth. It is what the future holds.

This whole country is looking at ways to stimulate our economy and to create new jobs. The American people, throughout our history, have always had the desire to compete. The American ideal promises each and every one of us the right to dream any dream, and the chance to make those dreams come true. The time has come for us to give the opportunities that the world has to offer to American small businesses.

[Chairman Sarpalius' statement may be found in the appendix.]

Chairman SARPALIUS. Would any of my colleagues like to make an opening statement? OK, I want to keep the record open. We do have some written comments from other members that we will put into the record. Hopefully, some of them will be showing up.

I also want to apologize for having to move the hearing that was originally scheduled for yesterday. A very dear friend of mine passed away, and I was asked to speak at his funeral yesterday. I appreciate the patience of the committee and the people who are here to testify for being willing to postpone this hearing one day.

Will the first panel, Ms. Littlejohn and Ms. Cole, please come to the table?

Ms. Littlejohn is the president of Global Strategies, which assists businesses and organizations with moving into the global marketplace. In addition, Ms. Littlejohn is the executive director of the National Association of Women Business Owners, and serves on the U.S. Chamber of Commerce Council of Small Businesses, for which she chairs the International Trade Committee. Also, Ms. Littlejohn is the vice president of the World Association of Women Entrepreneurs, North and South American Division, and serves on its executive committee.

Ms. Cole is the vice president of Analytic and Biological Laboratories, which performs analysis of water, soil, and food, and offers a wide variety of environmental services. Currently, Ms. Cole serves on the American Plastic Council Executive Automotive Committee and, in May, will become the chairman of the Society of Plastic Engineers, International Division. In addition, Ms. Cole serves on the Resource, Conservation, and Recovery Act Revisions Subcommittee.

We are very honored to have both of you ladies here with us today. Ms. Littlejohn, we look forward to your testimony.

TESTIMONY OF VIRGINIA LITTLEJOHN, PRESIDENT, GLOBAL STRATEGIES, ON BEHALF OF U.S. CHAMBER OF COMMERCE AND THE NATIONAL ASSOCIATION OF WOMEN BUSINESS OWNERS

Ms. LITTLEJOHN. Good afternoon, Mr. Chairman and members of the committee. It is a pleasure to be here today to address the needs of small- and mid-size business exporters.

For most of our history, America's economy operated successfully in splendid isolation, but with the increasing integration of the world's economies, NAWBO, the National Association of Women Business Owners, and the U.S. Chamber, on behalf of whom I am testifying today, both believe that the United States must export far more aggressively, if we are to enhance our international competitiveness, improve our balance of payments deficit, and maintain our quality of life.

We must set a national goal to expand American exports to at least the average of the group of seven countries by the year 2000. That means we must raise the volume of U.S. exports as a percentage of GDP from the current 7.5 percent that you mentioned, Mr. Chairman, to the current G7 average of 16.5 percent. This is crucial to our economic well being, as exporters have contributed most of the growth in the U.S. economy in the past 3 years. The generation of new jobs in large, mid-sized, and small firms in all sectors of the economy is vitally dependent on accelerating that trend.

Export growth as a national priority can be achieved by formulating a national export development plan with sustained oversight by the White House to ensure strategic coordination among all of the relevant Federal agencies you mentioned a few moments ago.

Also, by having a unified budget, which aligns resources to advance priorities of the national plan, rather than having that happen in a higgelty-piggelty fashion, encouraging commercial banks to provide export finance and increasing Federal export finance programs, and by greater leveraging of U.S. contributions to international financial institutions to benefit U.S. exporters. This testimony will discuss several of those concepts from the point of view of small- and mid-size businesses, and will also touch upon the role of the private sector in facilitating trade expansion.

The preponderance of U.S. exporting today is done by Fortune 1000 companies. Only an estimated 1 in 10 small- and mid-size businesses that could export currently does so. Future growth must come from passive exporters, those who now export infrequently, and those who have never tried. With appropriate leadership, training, and support, thousands of additional small- and mid-sized American firms could successfully export.

The first obstacle is knowledge and skill gaps, and fear of the unknown. A second cluster, which you referenced in your opening remarks, are the numerous competing Federal agencies in the Federal export infrastructure. Most small- and mid-size companies do not have the know how, resources, and stamina to wind their way through the Federal exporting maze.

Federal players currently trying to entice smaller firms into the global marketplace include the SBA, Commerce, EXIM, and OPIC. Historically, Commerce and the SBA's efforts have focused on en-

couraging small- and mid-size businesses to go on trade missions, or to attend large export promotion events. While many of these trade missions are highly effective, the large dog and pony shows that we have had in the past, designed to encourage the multitudes to export, are not, in our opinion, a good use of taxpayers' money.

The current deemphasis on this program is encouraging. The Government needs to emphasize sectors and markets where U.S. exporters have the most potential for increased sales of services and value added products. In addition, the Government should develop files of successful small- and mid-size business exporters, and work closely—this next point is very important—on an ongoing basis, with industries and companies that are likely to succeed.

While EXIM has provided a portion of its loans to funds that are not Fortune 1000 companies, their programs are not very well known in the small- and mid-size sectors, and EXIM lacks the outreach resources to involve smaller firms, coupled with the fact that local banks are often ill-equipped to participate in these programs.

Finally, while Commerce and other agencies have generated literally tons of information about doing business overseas, because of the magnitude of the tonnage, it has often been difficult to seize out the golden nugget information and the business opportunities from low-grade ore. The entire process needs to be made more user-friendly for small- and mid-size firms, by emphasizing one-stop shopping, improving access to high-quality information through the use of technology, increased mentoring, successful exporters who can help those who are starting out, and improved access to capital and international business relationships.

More aggressive support of exporting would strengthen manufacturing and stimulate growth industries, where we currently have mature domestic markets. It is very important that any exporting initiatives include a very, very aggressive look at the services side of the situation, currently the orphan child in U.S. export promotion.

Services are a sector in which the United States leads the world. Two-thirds of U.S. GDP is derived from services. Three-fourths of our workers are employed in services, and private services exports generated a $59-billion trade surplus in 1991, compared with a $73-billion merchandise trade deficit. The Government must also improve services statistics, so that rational public policies can be formulated.

Many economists believe that the United States so undercounts services that we may not even have a trade deficit at all. I would strongly urge that you look at the small- and mid-size businesses and services side of the equation.

The Government must also improve coordination among Federal agencies, State and local government, and the private sector. I have more in my testimony concerning that, but in the interest of time, I am going to be moving to some other recommendations.

One mechanism for the committee to explore would be for the Government to partner with large corporations that are already major players in the global economy—IBM, American Express, AT&T, and Federal Express, for example, and to identify ways that they can assist small- and mid-size companies in going global.

Another vehicle would be to expand second tier exporting by leveraging relationships and providing training and mentoring between big business exporters, and their small- and mid-size business suppliers. Another mechanism could be the creation of export SBDC, Small Business Development Centers, based on the superior model developed in California, the only one of its type in the United States.

For these to be successful, they require extensive private sector involvement, with participation by current practitioners, not just people who were exporters 10 or 15 years ago.

Another high priority should be placed on the utilization of business organizations and associations, to assist with the challenges of expanding world trade. We could adapt the international market development cooperative programs, which are being piloted at Commerce, to the needs of small- and mid-size business sectors, using trade associations and business organizations as intermediaries to train their members on how to go global, and assist them in doing so.

I will give you several examples of organizations that could be good market development cooperative programs. The National Association of Women Business Owners represents the interests of 6.5 million women business owners in the United States, a constituency which employs more people than all of the Fortune 500 companies combined, and, as you undoubtedly know, over the past decade, women have been going into entrepreneurship at a rate twice that of men.

Of our members, 37 percent are currently involved with international trade, or expect to be soon. This is an extremely high percentage in terms of the small business sector as a whole, and it is a result of strategy, intentionality, and international access.

We affiliated with the World Association of Women Entrepreneurs in 1984, and this is something that is underwritten for us by IBM Corp. Since this affiliation, NAWBO has conducted trade missions to London, Frankfort, Madrid, Tokyo, Osaka, Costa Rica, and Guatemala; business exchanges to Malaysia, Russia, Estonia, and Canada, hosted numerous reverse trade missions and exchanges, and hosted a World Congress. We began offering international programming at all of our national meetings in the mid-1980's, and encouraged our 50 chapters to have international chairs.

The Capital Area chapter, which has a particularly aggressive international program, sponsors a monthly international breakfast, as well as frequent embassy receptions and international networking events, focused on particular countries and regions. We also have a chair for every region of the world, as well as chairs for numerous countries, just in one chapter of NAWBO.

We are about to go on line with an E-mail system. Our Italian affiliate is looking at the same system, and within the next few months, we expect to be able to look at international business opportunities, and then expand this to the other 26 countries within FCEM.

Another vehicle that has extraordinary potential is the U.S. Chamber of Commerce. It has 2,600 local and State chambers, 1,200 trade association members, 10 bilateral international business councils, 66 AMCHAMS, American chambers of commerce around

the world, and it has a most impressive communications and telecommunications network.

The market development cooperative potential with either of those organizations, which I am representing today, would be extraordinary.

Finally, by establishing market development cooperative relationships with associations and business organizations representing minorities, minority-owned firms, and immigrants, we could build on our rich multicultural traditions as the world's preeminent melting pot, to vastly expand international trade with the countries of Asia, Latin America, Africa, Eastern Europe, and the former Soviet Union.

This concludes my prepared remarks. My thanks, Mr. Chairman, for the opportunity to testify.

[Ms. Littlejohn's statement may be found in the appendix.]

Chairman SARPALIUS. Thank you. The next speaker will be Ms. Cole.

TESTIMONY OF SUZANNE M. COLE, VICE PRESIDENT, ANALYTICAL AND BIOLOGICAL LABORATORIES, INC.

Ms. COLE. Good afternoon. I would like to express my appreciation to the chairman and all the committee members for inviting me to testify today. I want to emphasize that the promotion of small business is one of the most important issues for Congress and President Clinton to address.

As global competitive pressures increase, large businesses are becoming small businesses. We, as a country, have too often ignored this very important segment of the economy, which has created and will create the majority of new employment and new investment in the United States. Unlike ever before in American history, small businesses are emerging as the apex of new development and hope for many of America's workers.

Small businesses like A&B will play a key role in expanding our current economy. Over 75 percent of new employment in this country will take place because of small businesses. The small business of today is a lean operation, which has created a track record of performance while minimizing costs. These businesses are more responsive to changing market conditions.

For example, look at the changes which have occurred in the last 10 years. Soon, Microsoft will be worth more than IBM. Small businesses have often provided the leadership for change and, in many cases, have been the leaders in development of new technology.

The role of exports is important to the State of Michigan, as well. Nationally, Michigan ranks fourth in value of manufactured exports, just behind California, Texas, and Ohio. Employment related to manufactured exports in Michigan is 8 percent higher than the national average at 57.9 percent.

Employment is also expanding in export-related employment. From 1984 through 1987, there was a net increase of 38,100 jobs directly resulting from exporting. Approximately 27 percent of Michigan manufacturers export some products.

The small exporter is fundamentally different from the large exporter. Many large corporations dedicate several employees on a

full-time basis to handle every aspect of exporting. Shipping problems, border delays, legal hurdles to exporting as well as developing a country by country marketing program are all within the reach of a large exporter.

Small companies often have one person who performs all these functions and, oftentimes, have operational oversight responsibilities. I am an example of this type of individual. Small companies often do not have the manpower of financial flexibility necessary to manage each of these specialized functions. As I indicated earlier, in order for small companies to compete, they must be lean, and have the flexibility to react to sudden market changes.

I participated in the Small Business Administration's recent trade mission to Mexico from August 31 through September 4, 1992. I was very impressed with Ms. Kathy Parker and the work that she and the SBA did in preparing participants for the mission. She assisted us by providing market analysis data, geographical, economic, and governmental information. She worked extremely well in cooperation with the Foreign Service to provide qualified business leads to each of the participants, something which small businesses would not have the time or financial backing to accomplish without the SBA.

She went the extra mile to meet the needs of each participant. Without the assistance of an entity like the SBA, small businesses such as A&B would never have the opportunity to identify, much less meet one on one with qualified candidates.

It has been my experience that the SBA understands the needs of small businesses, and is thus much more responsive to their particular needs than any other Government agency. I had an opportunity to participate in a trade mission sponsored by the Michigan Department of Commerce. The manner in which the mission was structured centered more on medium- and large-size companies. The Michigan Department of Commerce left most, if not all, of the identification of business contacts and scheduling of meetings up to the participants. Large- and medium-size companies that have the staff to perform these duties would not be concerned. However, small companies, such as A&B, would be at a disadvantage and could not optimize its investment.

I elected not to participate in the mission, as I did not believe I would have the opportunities that were presented to me during the SBA mission.

The SBA's responsiveness in providing small businesses the opportunity to visit Mexico before any other Government agency, indicates to me the responsiveness and ability to the SBA to meet the needs of small business.

However, there is a need for greater outreach to America's small business. Many small companies don't understand the opportunities exporting provides them. Many don't know about the assistance the SBA can provide them with. I believe more funds should be allocated to the communication of services available, in an expanded effort to reach small businesses with this information.

Creating a good environment for exporters is one way Government can, indeed, please the business community. You cannot select a better time to export. From continent to continent and hemisphere to hemisphere, liberty is on the march. Everywhere,

free market economies are emerging, creating new opportunities for world peace and prosperity.

Along with this opportunity comes many challenges. Battles today are not fought between armies, they are between the economic interests of countries. In this competition, commerce is America's front line for a winning economic strategy.

However, if the U.S. Government does not take a proactive stance toward helping small businesses financially, other countries, such as Japan, will completely monopolize the environmental marketplace. Trade and aid have always been interconnected. Often, foreign aid has been used to open new national markets.

The United States required European recipients of Marshall plan assistance in the 1940's to purchase Canadian or American grain, effectively changing European trading patterns and bolstering U.S. agricultural exports.

The Japanese, now the largest providers of overseas development assistance, provide up to $4 billion a year in credits to purchase pollution control equipment manufactured in Japan. This goes a long way to explain Japan's increasing dominance in supplying this equipment at the expense of the U.S. pollution control manufacturers who, incidentally, receive little assistance or encouragement from the U.S. Government.

The rules and regulations of the Federal Government are stifling small business' access to capital. Without access to capital, businesses cannot grow, and the percentage of small businesses exporting goods or services will not increase. Lending practices have to become more lenient in order for small businesses who need the funding to have access to it. Startup companies, in particular, have no where to turn if they want to export.

Small businesses, which have been in operation for 1 to 3 years and could produce excellent products or provide technical services, find that securing funding is extremely difficult.

If the U.S. Government and the SBA does not take the lead in making funds more available to these businesses, they will go elsewhere to find the funding in some areas, such as Japan. Some of Japan's largest import-export trading companies are beginning to target and solicit small businesses that need funding. The Japanese are always interested in niche markets such as environmental exports. The Japanese recognize that small businesses are the backbone of America, not big businesses, and they provide ample opportunities.

In 1992, the United States was the largest and most productive economy in the world. We are 5 percent of the world's people producing 25 percent of the goods and services. Yet, we have much room for growth. Every $1 billion in exports creates over 1,900 jobs, but only one in three American companies that could export actually does so.

Merchandise exports account for 7.4 percent of our GDP, compared to an average of 19 percent among our major trading partners. Expanding our exports to old markets and locating new markets will keep the United States aware in the global economic competition while creating jobs and prosperity at home.

In 1993, U.S. companies are beginning to ignite a hidden boom in services exports. This boom not only enriches the companies, but

also creates several high paying jobs in the United States. Service jobs traditionally provide fewer jobs than manufacturing exports would bring. Suppliers of services include giants such as McDonald's and Walt Disney Co., but also include thousands of small businesses, that derive a substantial amount of their annual revenue from exporting.

These companies are exporting information, know how, creativity, and technology, elements the rest of the world yearns for. Information is as much a product as an automobile; however, not many people view services in this light.

Opportunities arise for companies such as A&B because of the company's long-time involvement with the very problems other companies are confronted with and are just beginning to react to.

The third role the Government can perform is to expand its technical assistance programs for small businesses. Many small businesses do not have the manpower or resources to enter the export market. Small business can receive a tremendous boost by receiving assistance for marketing, market identification, and legal and technical exporting information.

Fourth, the Government can expand loan assistance to small businesses that want to enter the export market. The startup capital which is needed can be a key factor to many small businesses that want to export, but are lacking financial resources.

Companies that have been successful for many years, but have experienced difficulties in certain geographies due to intense competition, also need assistance to export. Increased funding to small businesses will open up trade and export markets to many entrepreneurs. Increased funding to small businesses could boost the U.S. economy significantly. Many small businesses in this country are struggling and fighting to compete in mature markets. The export market offers these companies new opportunities, new markets which are just beginning. Thank you very much.

[Ms. Cole's statement may be found in the appendix.]

Chairman SARPALIUS. Thank you very much, Ms. Cole. Both of your testimonies were excellent, and I appreciate you taking the time to come here today. We would now like to ask you a few questions, kind of pick your brain on your experiences and expertise that you have.

I want to get each of your opinions first on the effectiveness of trade shows.

Ms. COLE. Well, I think that trade shows are a good vehicle for companies that are new to export, that are exploring the export arena, to get a good idea of opportunities that are available to them.

It has been my experience at export shows that quite a plethora of information is available, in terms of aid that is available for exporting and services. For the small company that really doesn't know the function of the SBA or DOC, I think that one of these trade conferences or exhibitions is a wonderful way of finding that out.

Ms. LITTLEJOHN. I would agree with that very much. I think you can also make some excellent contacts at those things, and you then know people to follow up with at particular events. I think the more organized they are, the more time they also provide an

opportunity for networking, the more valuable they are. They're excellent for getting an overview.

Chairman SARPALIUS. If we are going to become more competitive in the world market, we need to probably be more aggressive like Japan, as you mentioned in your testimony, on identifying markets overseas. I would like to get both of your opinions on whether or not you think we are doing an efficient job on identifying markets overseas, bringing those opportunities to American businesses over here, and what we could do to try and improve in this area?

We do a lot over here on trying to help small businesses establish markets, but are we working aggressively to identify markets in other countries?

Ms. LITTLEJOHN. I think there are pieces of real action and activity along those lines. One of the problems is, though, the link with the people who should be on the receiving end of that information.

If you look at the G7 countries or the G24 countries, they have much, much tighter links along those lines. There is more communication, more relationship, more meetings where the business sector and the public sector people involved with export are talking. There is a much better developed informal infrastructure, as well as formal infrastructure, for communicating those things.

Within the Department of Commerce, a great deal is known about some of these particular sectors, not only sectors, but particular products and particular countries that need those particular products or services. But that is not very well communicated to the industry sectors, in my opinion.

I have had the pleasure of participating in a number of meetings of the international trade promotion group of the National Association of Manufacturers. This is a loose, fairly ad hoc group of about 20 associations in different industry sectors, that meet over a brown bag lunch about 10 times a year. They have been inviting people from the Department of Commerce—it could just as well be the SBA, but I don't think that's actually happened yet—to discuss some of the sectoral needs, information linkages, what could be offered electronically via faxes, or other kinds of information services they can communicate to their members.

They have not really focused on the small- and mid-size sectors, per se. They're looking more at generic things than manufacturing. No such infrastructure vehicle or communications vehicle for improving things along those lines really exists in quite as focused a way with the small- and mid-size business sector. I think creating opportunities for those kinds of dialogs would then be very important.

I think we also have to look at the antitrust issues in terms of how associations can appropriately deal with encouraging their small- and mid-size members to move into international markets, and so forth. But there is a very, very important link that associations play in Japan, Germany, and much of Europe, much of the rest of Asia, that we really don't have in this country. We need to build that link, because a lot is falling through the cracks because of the lack of the linkage.

Chairman SARPALIUS. Ms. Cole.

Ms. COLE. I have to agree. In Japan and Europe, in particular, I know, I can speak with experience from the automotive and chemical side, industry and Government work much more in concert with each other than they do here in the United States. One of the reasons here in the United States, just as Ms. Littlejohn stated, is because of antitrust.

I think that it can go a long way toward facilitating communication that the Department of Commerce or the SBA could create, if you would, a working committee comprised of multinational based U.S. corporations in some of the small businesses which supply goods and services to them.

Speaking from my experience, A&B was able to identify some areas in Mexico, because of some of the multinational clients that we have, that we provide services for here in the United States. They had a need, and they confronted us with the possibility of pursuing the export market.

I think that these multinational companies have a very good view of their needs in other countries, and that can facilitate small businesses in identifying niche opportunities in export markets. One thing that I don't see happening right now is the communication between large and small companies here in the United States, to the extent that I think it should take place.

Having Government take the lead, I think, would go a long way toward facilitating that communication.

Ms. LITTLEJOHN. Mr. Chairman, if I could add to that point as well, I had mentioned in my testimony that I thought that second tier opportunities were really, really important opportunities in terms of those kinds of communications happening between large and small companies.

Often, large companies have training programs for their small business suppliers. It could be through TQM training or many other kinds of training that they have with their suppliers. That is the perfect opportunity to educate them about second tier exporting opportunities, as well as third tier, in terms of after-market opportunities, because if you're an automotive manufacturer, and you're a supplier of bumpers, say, to the automotive industry in the United States, and GM, Ford, or Chrysler are selling to a particular country, then as bumpers get dented and so forth, they're going to need to have replacement bumpers.

So, the bumper manufacturer has the capability of looking at that market. We absolutely do not create those linkages right now, so there are enormous built-in market opportunities that have never been created, because we haven't thought about it strategically and looked at the flow-through and the continuum.

Chairman SARPALIUS. It seems to me that both of you are absolutely correct that if we are going to be more competitive in world markets, we have to be, in my opinion, more aggressive in identifying those markets. But then, once you identify them, we must be able to link them up with businesses here that can take advantage of those opportunities.

The Japanese are becoming extremely aggressive in that area, and have been very successful. This is probably one of the areas that we lack in most, in my opinion, as far as not being able to meet those demands. It is all based on supply and demand. If there

is a demand out there, and we have the supply, we ought to be able to provide that supply to meet the demand.

Both of you mentioned lending programs that we have. I would like to get your opinion on the lending programs that we have available to help small businesses export. Which ones are the most effective, and which ones are not?

Ms. COLE. Well, I think that the SBA has gone a long way toward refining their ERLC loans, and that is very effective to exporters. I think that some of the programs that they have targeted at exporters are very, very good. I think that in approaching Eximbank for funding, it's very difficult to secure if you're a small company. They, in my personal opinion, cater more toward large businesses, and it's very, very difficult unless, as in my case, we do not actually manufacture a product, we provide a service. So, I think that we're at a disadvantage in that we are not a manufacturer.

So, I think that if Eximbank is going to focus in part on small businesses, some of their practices or guidelines, if you will, are going to have to be relaxed, because they tend to put a priority on manufacturers from large companies.

Ms. LITTLEJOHN. I would agree with that. I would add that, and I said this in my testimony, EXIM is not very well known by the small business sector. EXIM is fairly small, I think maybe 500 employees or so, and they don't really have, in my opinion, a very effective intermediary mechanism for getting their communications out to the small business sector.

Some years ago, they did attempt to get the small business organizations interested in their new focus on small business. At that moment in time, there was not that much understanding of exporting within the small business sector, and it really didn't come to much of anything.

I think we need to reenergize and regalvanize that relationship. We need to come up with much more effective methods of educating the business organizations, the small business associations, the trade associations on what the opportunities are, or the banks that focus on small- and mid-size business lending, so that there is a vehicle that can assist with the process.

But another key piece of education needs to be done with the banks in the country, and there is enormous ignorance on the importance of exporting, on the mechanics of exporting. Ms. Cole mentioned in her testimony the difficulty with services financing. That is really a huge problem, and it's not just in the exporting area. I mean, that's a problem in the domestic economy as well. I think banks much better understand the good side of things than the services and the intangible side. It becomes an enormous barrier when you're talking about the exporting of services.

If there were an initiative in which the SBA and the banking community were to look at exporting by small- and mid-size businesses, including a component relating to exporting of services, I think that would be a very, very valuable addition. We're talking close to zero level of comprehension in that area.

It's hard enough for small- and mid-size businesses to embark upon something like this, because they don't understand the languages, they don't understand the countries, the laws, the regulations, et cetera. You add into that equation not being able to get

the capital to move ahead, and it's just overwhelming. A lot of people are not going to move off the starting line because of that.

Chairman SARPALIUS. As we mentioned earlier, we have anywhere from 10 to 19 different agencies that have over 100 programs relating to exports. As we explore the possibility of trying to streamline and do a more efficient job in providing assistance to small businesses out there, we will hear testimony from each agency that feels like they've got the best programs.

I am curious, since each one of you work actively with these agencies, if you had a friend who called you, and wanted to export a product, and wanted some assistance from the Federal Government, which agency would you send them to?

Ms. COLE. Well, I would suggest a combination. If they were new to export, I would have them contact the SBA, because I think the SBA provides a niche that none of the other Federal agencies provide, and that is helping small businesses that are thinking about exporting develop a working knowledge of the market they're looking at. The SBA also provides enough market information to the company so that they can decide, perhaps this is not the market we want to pursue. Perhaps we want to pursue China instead of Mexico. So, I think in the initial stages, the SBA does a fantastic job of helping small businesses.

The Department of Commerce's Programs, I think, are geared more toward companies that already know they want to export. They know exactly what they are going to export, and they have the fundamental working knowledge of the customs as well as the legal framework of the country that they want to export to.

So, I think that a combination of a number of services offered would be the appropriate way to go.

I would also suggest to the small business to try to identify larger companies that are already doing business in the targeted area that they are looking at for exporting, because they can provide a wealth of information, simply from the standpoint of helping them overcome barriers that they have been confronted with, and giving them advice on areas to pursue that they may not have already thought about.

So, I think that there's a combination of services, as well as participating in the trade mission to that particular country. Because, if it is a small business, chances are they don't have the financial wherewithal to be able to set up appointments with businesses that would be interested in purchasing their goods or services. I think the SBA goes a long way, in concert with the Foreign Commercial Service, to provide this to small businesses.

Ms. LITTLEJOHN. I would also not be able to mention just one agency. I would mention the same two agencies that Ms. Cole did in her testimony.

I don't know Ms. Cole, but I assume both of us have established a number of relationships in both the SBA and Commerce. A big part of moving toward your objective is really knowing who to go to for what information, and who you can access, who will give you reliable information, who will return your phone calls in a timely fashion, who has timely information, as well as good private sector information that you can go to.

I personally feel like I have excellent working relationships with both the SBA and Commerce. NAWBO and the chamber have both had excellent working relationships, so we know how to work our way through the mazes.

The SBA and Commerce have worked very, very closely with NAWBO through the years, and that really is how NAWBO got as proactive in international trade as it did. Individual people within the SBA and Commerce decided that this was very sexy, the idea of having women business owners involved with international trade. They were particularly captivated by the idea of women business owners selling in Japan. That initiative, by the way, we worked out with the SBA and Commerce, going all the way back to, I believe, 1986, when it was a particularly outrageous undertaking.

But having that kind of information at your fingertips is quite vital. In my experience, Commerce has much better sectoral and industry-specific information and country-specific information than the SBA does at this point in time. The SBA is much more willing to hold your hand, though, and help you walk through the process than is the case with Commerce.

I would also say that Commerce's country knowledge is much more in depth than the SBA's. It has many, many more people who are there to help you with that process. There have been some very good memos of understanding in terms of joint initiatives between the SBA and Commerce on trade missions and other things, so, I think that's an area where there is a great deal of potential.

I would also like to say that I think there is real utility in doing some piloting that is country specific. The hottest export area for the United States in product area after product area, service area after service area is Mexico, where they think that goods and services from the United States are the most exciting thing, practically, in the history of the world. They are rabidly interested in buying from us. There are enormous opportunities.

There are other countries in Latin America where there are excellent opportunities. The growth in the Mexican economy, because of many of the major changes that have been going on there in terms of privatization and economic reforms, is remarkable. I do not think that it's effective to do 100 companies simultaneously, encouraging U.S. firms to move into everyone of those countries.

I think it would be very exciting to target three to five countries where we thought there was enormous export potential for small- and mid-size businesses. I think Mexico and Latin America are among those areas. I think Canada, even though it's had a number of economic problems; I think those are appropriate areas. There's a great deal of growth, also, in a number of countries in Asia, where I think U.S. goods and services have real potential.

The leading edge aspect of many of American services, along the lines of some of the things Ms. Cole was saying in her testimony, extraordinary potential. We are 5 years ahead of the rest of the world in many of those technology-based services, other services, and health care, et cetera, and I think those are opportunities we need to encourage our small- and mid-size firms to move in.

Ms. COLE. I would just like to add that I agree with Ms. Littlejohn. In the environmental area, however, I can say succinctly that we are at least 20 years ahead of where Mexico is at, as well as

China. China is a very big emerging area, even though it still is under communist dictatorship. It offers a tremendous amount of opportunity to U.S. firms to export environmental control technology, as well as services.

Ms. LITTLEJOHN. Not just in the environmental area; if I were picking two countries, I probably would pick Mexico and China, if I were adding an Asian country. Extraordinary potential in sector after sector.

Chairman SARPALIUS. Let me share with you one statistic we came up with in reading through the testimony of different people while gathering information.

We have eight trade officers in Canada. Canada has 112 in the United States, going out, trying to find markets. That is, in my opinion, a real weakness and a real opportunity we are letting slip by.

Ms. LITTLEJOHN. They spend 25 times as much on export promotion as the United States spends, per capita.

Chairman SARPALIUS. Let me call on our minority leader of the subcommittee, Mr. Hefley, to see if he would like to ask any questions or make a statement.

Mr. HEFLEY. Thank you, Mr. Chairman. I apologize for not getting in on all your testimony. It is fascinating, the part I did get in on. Both of you seem to have very good relationships with the export agency. If you have talked about this in your testimony, let me know, and I can read it in your testimony. I do not want to repeat it for everybody, but I just was curious about how you developed these, and what kind of roadblocks are there for developing these kind of relationships?

Ms. LITTLEJOHN. For me, I think, being in Washington has been a real plus. I have been extremely interested in international trade for many years. I've lived out of the United States for 10 years. It's been just a matter of getting to know people over time, and putting together a network along those lines.

Mr. HEFLEY. So, just working at it?

Ms. LITTLEJOHN. That's exactly correct, and I'm sure that's true in some field situations. Obviously, you don't have the country expertise out in the field as much as you do in the Washington area. But if you have one person who starts off as your advocate within a particular agency, and if they are interested in your company or your industry or your association, they can really help move you to someone else.

So, if I want to export ball bearings, for example, the ball bearing specialist is someone who I've developed a relationship with, then that person can say, these are the three markets that are terrific, and call my friend who's the desk officer in these three countries. That's why, when we were talking about trade shows earlier, you have the opportunity for meeting real people to whom you then are other than just someone who's pestering them on the telephone.

I think that is critically important, building those relationships. I think we need to do more to create those kinds of meaningful linkages. I realize that your committee does not have jurisdiction over Department of Commerce, but one of the ideas that was discussed by some of the Commerce people I was chatting with a couple of

months ago was having the equivalent of account executives for particular industries, and having those account executives kneeling with trade associations, to jointly map out what kinds of international initiatives they were interested in focusing on for that 1- or 2-year period.

Now, there was no thinking about how small- and mid-size business might be connected into that, but if you had people out of the international office at the SBA also paying attention to that, and if you had people from the private sector who were involved with exporting also participating in that, you would start getting some real movement along those lines. I think the idea of account executives by industry sectors is a very, very interesting one.

Mr. HEFLEY. Ms. Cole.

Ms. COLE. Well, I have to agree. I think maybe I'm an exception to the rule because of the area in which I'm located. I'm located in the Greater Detroit area, so the manufacturers in Detroit know first hand that they have to compete on a global basis, that they can no longer think of the world as being only the United States.

So, I think there's incentive on behalf of the geographical location I'm in, as well as some of our major clients that include General Motors, Ford, Chrysler, DuPont, Dow, et cetera. They are definitely engaged in work internationally, and so, through our liaison with these various people, we have been able to develop strong working relationships with the people who do exporting for these major corporations. So, I was able to find out the types of opportunities that are available.

Instead of having to fight over 120th of the piece of pie here in the United States, you can go to Mexico or China and compete for a market share very readily, and 9 times out of 10, you're able to really increase your profit margins as well as your outreach.

However, I do think that through working on the RCRA Revision Subcommittee, that I have been able to develop a lot of contacts here in Washington. I did have the occasion to meet some of the people who served on the President's export council, who more or less were encouraging exporting at that particular time.

I think that the RCRA round table is a good example of what could happen. On the RCRA round table there are small- as well as large-size businesses that interact on a monthly basis, and I think that, perhaps, an exporting round table could be established in somewhat the same manner, and have the SBA or a similar agency take the lead in coordinating these meetings. You could have target discussions on a monthly basis, relative to areas that they think are of extreme importance. It could target some of the areas that they view having the most opportunities for export.

This would provide the interaction from people who are already established in these countries to say yes; we think these are exactly the targeted areas, or maybe this is an area, but this other area provides more opportunities. I can't say enough how much I think communication facilitates your understanding of a country, and your ability to compete in that particular country.

Ms. LITTLEJOHN. I would add to that, mentioning Detroit, the U.S. Chamber of Commerce has a very, very powerful network around the country, and some of the chambers are very, very focused on international trade. The Detroit Chamber is one of those

particularly proactive chambers. If there were a strong country focus, if you were continuing to build the infrastructure with relationships with the SBA people, Department of Commerce people, periodically bringing in country specialists. If they're focused on the Japanese market or the Mexican market or whatever, chambers provide a wonderful vehicle for being able to do that within a local area.

I think it is, in addition, because of the telecommunications capability of the chamber, looking at the teleconferencing and the satellite delivery system, there is the opportunity to deliver very, very sophisticated country-specific information about where opportunities are in various aspects of manufacturing and services. I think that is a resource that we really need to strengthen and build up.

Mr. HEFLEY. Ms. Cole, you mentioned something that is intriguing to me. You mentioned that we are way ahead, 20 years ahead, in environmental technology. We have our environmental problems in this country, but the more you read about some of the rest of the world, it is really frightening, the lack of concern for the environment that they have displayed and the mess that they are in right now.

But when we talk to, for instance, some of our defense contractors on conversion, as we phase back defense, and we say, "Well, here is an area that really needs to be dealt with," they say, "We do not want to touch it, because the laws in the United States make us liable if we get into it," even though they have wonderful technology and could probably apply it to some of these things.

Do you run into that kind of thing in foreign countries, as well, that if you get in there and you have a contract to help with environmental cleanup or something like that, do you find that you are hung with liability over there, or are their laws better than ours in that concern?

Ms. COLE. With respect to liability, and I think in Mexico, right now, they don't have much liability with respect to the same issues that we do here in the United States. For instance, they still have not even acknowledged the concept of phase I, II, and III assessments of their property. As a matter of fact, there was a huge exhibition center that was just built on the property where an abandoned steel mill had been. To me, if you were in the United States, you certainly would not build an exhibition center on the site of where a steel mill was.

So, to answer your question, no, with respect to Mexico, there is not the liability involved that there is here in the United States. They do not really have any concept of the polluter pays, or a Superfund as we know it here. None of those concepts apply in Mexico right now, although they are trying to bring on line the rules and regulations of U.S. EPA, and they have already done so. But the prime area, and I hate to say it because everybody has been saying this for a long time, but the enforcement area is what is lacking in their environmental regulatory scheme of things. The regulations are there. They just are not enforced.

Mr. HEFLEY. Is there growing consciousness, though, about the need in some of these countries?

Ms. COLE. Oh, absolutely.

Mr. HEFLEY. This is an export market that our companies ought to really begin to look at?

Ms. COLE. Oh, absolutely, but if you look at the theory of sustainable developments, a country that is still developing does not place the emphasis on the environment as it does on financial stability. So, I think it's going to be an emerging market over time. Certainly, if NAFTA passes, it will occur at a greater pace. But after the headlines in yesterday's paper, I guess there's a little bit of apprehension as to whether or not NAFTA will pass.

Mr. HEFLEY. Thank you very much. Thank you, Mr. Chairman.

Chairman SARPALIUS. Mr. Poshard.

Mr. POSHARD. Thank you, Mr. Chairman. Ms. Cole, I apologize for being late to the meeting, and for not hearing your testimonies, but in reading through your testimonies, I was interested in your comments about the interconnectedness of trade and foreign aid. That is interesting to me, because I think, at this point in time, one of the most difficult things for us to sell to the American people is our continued assistance to other countries, especially in light of our debt, and the accruing deficits that we see in this country every year.

I, for one, support foreign aid to other countries. I think we rank maybe eighth or ninth in the world now in foreign aid to other nations, where we used to rank first. You mentioned in here the incredible differences in, for instance, Japanese foreign aid right now, as compared to American.

Is there really a linkage there? I mean, is this something that we haven't been considering with regard to our assistance to foreign countries, like for instance, right now, what could you tell us with regard to our concern about further exports for small business, and our relationship to helping Russia right now in their economic situation?

Ms. COLE. I think if you take the Japanese as a model, you will see that they offer foreign aid to countries with a contingency that they purchase the goods and services from the Japanese suppliers and manufacturers. I think that there definitely is a link, and I think that the United States should become more aggressive in this area.

There are definite markets which we just are not placing any type of emphasis on. We can certainly capitalize on those opportunities. There's a lot of good that can come from it, certainly with respect to Mexico. If we could help them in terms of loans or grants to help them bring up to speed the environmental regulations in terms of enforcement, that will go a long way toward making businesses in their country responsible for the products that they produce, and the effluence that they discharge into the major waterways.

But I do think that is certainly an avenue for the United States to pursue, and it could certainly enhance our competitiveness, absolutely.

Mr. POSHARD. Ms. Littlejohn.

Ms. LITTLEJOHN. I would like to just echo that same point. JICA, which is the Japanese AID equivalent, is extraordinarily strategically linked with everything they do along these lines. They're doing an international construction project in the Philippines.

They're building a hospital. They're building highways. If it's a hospital, then equipment in the hospital is going to be Japanese, their computers. They have all of these other after markets that are an outgrowth of the benevolence of building the hospital. We have not thought about that strategic link at all in terms of how we handle things with AID.

Then, also, the TDP, the Trade Development Program area out of the Department of Commerce. These are some ways that I think we could think very strategically about linkages that we could build there. I think we could also look at some of the multilaterals that are involved with funding initiatives, where there is U.S. money that is contributed. But I think we could think of ways that we could turn those into tangible business development opportunities for U.S. companies.

It's just that we've never bothered to think it through strategically, and look at the linkages.

Mr. POSHARD. I think that is interesting. The staff, or maybe the chairman, just passed me a note that said the United States only provides $350 million in TIDE aid in 1993. Germany and Japan will provide over $10 billion, so that is a considerable difference. One other question. I was also interested in the differentiation that both of you talked about a little bit in your testimony, between exporting services instead of a physical product, and, again, an incredible difference. We actually have a positive trade balance in our favor on services, and a negative with regard to physical products. Have you ever run into any difficulties when you are trying to get Federal assistance, when you tell them that you are exporting services as opposed to products? Is there some kind of misconception in terms of Federal assistance when it comes to exporting services and the support we give for them?

Ms. COLE. I will say, most absolutely. When they review your company, and for some reason, at the lender level locally, it's more or less an intangible to them. It's not a tangible, and they're always looking for much more collateral—that's my personal opinion, of course—than those companies that are producing a product.

For some reason, it may be the mindset and the traditional mindset in thinking that unless you produce a product, you're not going to be as successful exporting your services as you would be if you were exporting a tangible. I think that there has to be some sort of extended outreach in terms of educating the lenders at the local level to have a much different mindset with respect to services, and maybe bring these statistics out to their attention.

Large banks, such as the National Bank of Detroit, has an international division, but they tend to be more in favor of lending to the companies that export products.

Mr. POSHARD. OK.

Ms. LITTLEJOHN. You could categorically say that for almost any bank in the country. I mean, there is just so little understanding of the services side, whether it's with the domestic market, and throw international in, and it's at close to zero level of interest.

I had said in my testimony that I thought we really needed to have a strong focus on services exporting. There really is no meaningful national policy relating to services exporting. Agriculture has been very, very well paid attention to through the years, and

the market development cooperative programs out of agriculture, while they've periodically run into problems of one sort or another, there is a strong exporting infrastructure vis a vis agriculture.

The manufacturing sector has more recently decided that it needed to be more coherent about things, and the National Association of Manufacturers International Trade Promotion group is one example along those lines. Services are exactly nowhere, and because so many small- and mid-size firms are in the services sector, I really do think if we're looking at expanding export opportunities, that we really need to look at the services side. I would strongly encourage you to look at ways of doing that with other committees that would also have important jurisdiction there, and the overall national export development plan needs to include that as a real, real key component, because, as Ms. Cole said, we are years ahead in sector after sector.

Mr. POSHARD. I find it really incredible what you are saying, because it has always been our know how, our knowledge, our creativity, our ideas, that we have spread, in the form of Government as well as other things, and to not place a value on those equal to some product just seems unreal. Thank you very much. Thank you, Mr. Chairman.

Chairman SARPALIUS. Thank you, Mr. Poshard. We are going to have to take a break now. We have a vote going on, and we will have the next panel start as soon as we get back in about 15 minutes. I want to thank Ms. Littlejohn and Ms. Cole for your excellent testimony and for the information that you provided for us.

Ms. LITTLEJOHN. Thank you.

Ms. COLE. Thank you.

Chairman SARPALIUS. We will adjourn. We will meet back in about 15 or 20 minutes.

[Recess.]

Chairman SARPALIUS. Is Mr. Mendelowitz here?

Mr. FORD. He was earlier.

Chairman SARPALIUS. Let me go ahead and call the second panel up. We have Mr. Jonathan—and if I do not pronounce your names right, please correct me—Mr. Jonathan Menes.

Mr. MENES. Menes.

Chairman SARPALIUS. He is the Acting Assistant Secretary for Trade Development for the Department of Commerce, testifying on behalf of the Trade Promotion Coordinating Committee.

We have Mr. Allan Mendelowitz, Director of the Financial Institutions and International Trade Issues for the General Accounting Office.

We have Mr. Charles Ford, Deputy Assistant Secretary for International Operations for the U.S. Department of Commerce, representing the United States and Foreign Commercial Service, and Mr. Jerry——

Mr. CHIARUTTINI. Chiaruttini.

Chairman SARPALIUS. Chiaruttini.

Mr. CHIARUTTINI. Yes, sir.

Chairman SARPALIUS. Acting Director of the Office of International Trade for the Small Business Administration. I would like to thank each one of you gentlemen for coming here this afternoon.

Mr. Mendelowitz, we will start with you. We are anxious to hear what you have to say.

TESTIMONY OF ALLAN I. MENDELOWITZ, DIRECTOR, INTERNATIONAL TRADE, FINANCE, AND COMPETITIVE ISSUES, GENERAL GOVERNMENT DIVISION, GENERAL ACCOUNTING OFFICE

Mr. MENDELOWITZ. Thank you. I would be pleased to read a short statement, and submit my full statement for the record.

Chairman SARPALIUS. Let me say that all of your full statements will be in the record. If we could keep the remarks as brief as possible, we will have some questions to ask.

Mr. MENDELOWITZ. Great. I'm pleased to be here today to testify before the subcommittee on the Federal Government's export promotion programs. My testimony is based primarily on GAO reports and testimony issued in the past year. My full statement discusses the lack of coherent funding for Federal export promotion programs, the need for a Government-wide export promotion strategy, and the importance of the Export Enhancement Act of 1992.

In my oral comments, I'd like to discuss the status of Federal efforts to help small businesses export, focusing on the role of the Small Business Administration, and what it does in efforts to help small companies export.

There is evidence that a large number of small companies have products that are competitive in foreign markets, yet these products are not currently exported. The three primary Federal agencies that small businesses might approach for export assistance are the SBA, US&FCS, and Eximbank.

However, the delivery of Federal export promotional programs in the field is fragmented, limiting small companies' access to these programs. Moreover, we found that the SBA's Programs suffer from significant weaknesses.

As we reported in September 1992, the SBA devotes little money to export promotion relative both to Government-wide spending on export promotion and to the SBA's own budget. In fiscal year 1991, the last full year that was completed before we did our study, the Federal Government spent about $2.7 billion on export promotion. In that same year, the SBA spent about $3.7 million on export promotion, out of a total budget of $486 million. About $1.5 million of this amount went to fund the activities of the agency's Office of International Trade, the office responsible for managing the agency's export promotion activities. About $1.2 million went to support 21 small business development center subcenters, specializing in international trade.

In fiscal year 1991, the SBA reported issuing about $123 million in loans and credit guarantees to exporters, out of about $4.3 billion in small business loans and credit guarantees. The SBA's principal export finance program is the export revolving line of credit. Under this program, the SBA guarantees repayment of loans made by financial institutions to small businesses for export related purposes, such as financing working capital needed to manufacture products for export, or to purchase goods or services for export.

In 1991, only about $26 million in guarantees were issued under the ERLC. Of the remaining $97 million that was reported to assist

exporters, we estimated that less than $40 million went to directly assist exporting.

In our September 1992 report, we found that the SBA's export counseling and export finance programs have significant weaknesses. Export counseling conducted by the Small Business Development Center is unfocused. We also found that the SBA. as I reported, did not widely use its export revolving line of credit program.

We determined that the principal reasons for this low level of use included: First, insufficient training of the SBA loan officers and the techniques of applying the program; second, inadequate marketing of the program to bankers in the small business community; and third, lack of interest in the program on the part of lenders due to the small average size of the loans and the associated small likely profit.

In fiscal year 1991, ERLC usage increased substantially over prior years, and we believe that this jump in program activity reflects efforts the SBA made to improve the program. Nevertheless, the SBA has not fully implemented a pilot program to increase ERLC usage.

Additionally, we found that responsibility for managing the SBA's export programs is split between a number of different operating units and program offices. As a result, the SBA lacks a single focal point for managing its export promotion programs. The SBA's Office of International Trade, although ostensibly responsible for managing the export promotion function at the agency, acts primarily as an internal advocate for export promotion. It does not directly supervise any field staff, and there is no direct authority over field offices' export promotion efforts.

These efforts include the SBDC's export counseling and export financing assistance provided by loan officers in the SBA district offices. This diffuses responsibility for managing and delivering the SBA's export promotion assistance.

Finally, we determined that the SBA had not clearly identified which export assistance needs of small businesses it could best meet, or targeted its export assistance accordingly. When resources that an agency devotes to export promotion, like any program, are limited, it's absolutely essential that they be effectively used to assure that they are used most effectively as a principal starting point.

We concluded that, on the whole, the program weaknesses substantially limit the SBA's current ability to provide any export promotion services other than basic outreach and referral. Consequently, we suggested that Commerce first, require the SBA to more fully identify which export related needs of small businesses it can best fulfill, and second, work with the TPCC's small business working group to refocus, if necessary, its export promotion efforts.

We also suggested that Commerce consider requiring that any national strategic plan for export promotion clearly define what role the SBA is to play. We believe that the Government-wide strategic plan for export promotion, that TPCC is currently tasked with developing, provides an opportunity to clarify the SBA's role in this area.

We found that the delivery of Federal export promotion programs overall in the field is fragmented, and we believe that small-

and medium-size businesses are being hurt by their inability to readily access such programs at one location.

The three primary agencies that small business might approach for export assistance—US&FCS, Eximbank, and SBA—can offer some assistance but none have all the necessary elements to assist small businesses' exports. US&FCS maintains the principal network of Government field offices for export promotion. These offices specialize in providing export counseling, market research information, and other export promotion services. Yet, the field offices have limited funds and staff to support their operations, the Commerce Department has no export finance programs, and US&FCS field offices cannot approve use of other Federal agencies' export finance programs.

SBA has a large field structure and substantial funds devoted to other program areas, as well as authority of export finance guaranties, yet the SBA's export promotion efforts suffer from significant program weaknesses. Eximbank has staff expertise in export financing and provides a large amount of Federal export financing, yet Eximbank has a small staff and very limited field structure for marketing and delivering its programs.

Because the system is so fragmented, firms needing export promotion assistance often must contact several different Federal agencies to get the assistance they need. Contacting multiple offices can leave companies confused as to what services are available. I think you saw an example of this in the prior panel, when you asked the prior witnesses who they would send businesses to for help, and they had to list all the agencies that were out there, rather than one place where they could go and be sure to get what they need.

In the December 1992 report, we supported the creation of a field network of one-stop shops for all Government export assistance. A network of one-stop shops could be created by colocating Federal, State, and local government field offices for export promotion under one roof, and providing the staffs with the training and authority necessary to supply a full range of services to help companies consummate export sales.

These services would include export counseling and training, market specific information, and export financing assistance. Staff in each member organization would be trained to know what services the others provide and to ensure that each client receives the help that he or she needs.

We believe that a field network of one-stop shops would improve companies' access to all Government export promotion programs. Such a network would reduce to one the number of doors that companies would have to open and contact in order to get export assistance from the Federal Government.

Despite the potential benefits, creating a nationwide network of one-stop shop field offices faces obstacles, and executive branch agencies carefully guard their turf, in that an agency that provides export assistance can be expected to resist any major effort to integrate field operations.

In addition, agency officials told us that substantial funds might be needed to relocate Federal offices or to induce non-Government

organizations to relocate. Money would also be needed to provide staff with required training and support.

Consequently, we believe that in today's tight budget environment, more modest initial attempts may have to be made to improve small business access to export financing and other export programs. That is why in our December 1992 report, we proposed a pilot program for partially integrating the delivery in the field of Federal export financing, and other export promotional programs. The pilot would test out the benefits of integrating all Government export assistance in the field, and such a pilot could easily integrate the delivery of current export assistance provided by US&FCS with that provided by the SBA and Eximbank.

A small number of loan officers from the SBA district offices would be stationed at selected US&FCS district offices, so that the field staff of both agencies could jointly provide comprehensive export counseling and export financing assistance to U.S. companies needing that assistance. Any such pilot, of course, would need to be assessed, and we think that the TPCC should use a uniform methodology at each site where the pilot is tested to ensure that, in fact, the desired results are achieved.

Mr. Chairman, members of the committee, this concludes my oral comments, and I, of course, will be happy to answer any questions you may have.

[Mr. Mendelowitz' statement may be found in the appendix.]

Chairman SARPALIUS. Thank you. Mr. Menes, if you will go next.

TESTIMONY OF JONATHAN C. MENES, ACTING ASSISTANT SECRETARY FOR TRADE DEVELOPMENT, U.S. DEPARTMENT OF COMMERCE

Mr. MENES. Thank you, Mr. Chairman. I will, of course, just summarize my comments here. I thank you for the opportunity to discuss the status of the Trade Promotion Coordinating Committee, the TPCC, if you would, and it's role in regard to Federal export assistance programs.

As you may be aware, the TPCC was originally created by President Bush in May 1990, and was given a legal formal status under the Export Enhancement Act of 1992. The TPCC is something that the Department of Commerce and, in particular, Secretary Brown, takes extremely seriously. Secretary Brown has indicated any number of times that export promotion, trade promotion, is one of his highest priorities.

We have launched an aggressive program to start the TPCC off in this new administration. The TPCC, the Export Enhancement Act of 1992, added a couple of additional responsibilities, you might say, to the TPCC, one of which was to create a strategic plan by September of this year, and the other was an integrated budget—I believe that is the terminology.

Both of these, of course, are high on the mandate of the TPCC. The first meeting was held on March 31, chaired by Secretary Brown. We had representatives from all 19 agencies that are participants, and the atmosphere of that meeting was extremely upbeat, very enthusiastic, and very supportive. A deputy's group, cochaired by Deputy Secretary Designate John Rollwagen and Des-

ignate Eximbank Chairman Ken Brody, was set up to provide the more day-to-day followup. A great amount of attention was paid at that meeting to ways in which we could review and change the way Government interacts with business to expand exports.

Several working groups were set up which were to meet intensively to review key areas. In addition, three other working groups will have regular ongoing status.

Initially, we set up three groups that are working intensely right now on trade finance, export impediments, and business facilitation and marketing. In addition, we have three standing working groups, which are on environment, a mandated one, U.S. Asia Environmental Partnership, and Small and Minority Business.

Another focus in the TPCC in the deputy's group, was dealing with strategic planning. We'll be working toward setting goals, developing methodology for it, developing a strategic plan, as well as for developing an integrated budget. This will be, I might add, probably the first time that's ever been done.

One of the major activities of the TPCC up till now has been the Trade Information Center, referred to as the TIC, and located in the Commerce Department. This provides a one-stop shop that export-minded companies can call for information about Government export assistance programs. There is an 800 number, 1-800-USA-TRADE, which you call, and the staff there are trained, and we spent quite a bit of time training them, to be able to provide information directly, as well as to guide people to the appropriate sources of information, depending on what the particular problem or need is.

Since it started 3 years ago, we've had about 85,000 businesses access various Federal export resources through the TIC. We're getting somewhere around 1,000 calls a week at the TIC, on a day-to-day basis. We maintain a data base of substantive callers, those who are at all serious, track relevant business information, the size of the company, and these kinds of things. This information is also provided to other parts of our export assistance network, so they can draw upon those.

I'd like to turn now for a moment to something new that we've developed, to support the TPCC and the activities in the member agencies, and this is in the area of statistics. One of the key obstacles to effective trade promotion has always been a lack of information on how many firms export, where do they export, who they are, where they are located, and related questions. We've had a joint project between the International Trade Administration and the Census Bureau that has tried to answer these important questions by linking data from the shippers' export declarations to the U.S. economic census. We refer to this effort as the exporter data base.

We now have, for the first time, data on exporters for 1987, the year of the last economic census. We're now working on the 1992 data. From our work, we were able to determine that in 1987, some 104,600 firms exported merchandise; 87 percent of these were small businesses, and these companies exported $48 billion worth of merchandise in 1987, or about 20 percent of exports of domestically produced goods. There is more data in my testimony, and considerably more that we'll be publishing shortly.

We can also point out where these exporters were located. For example, in the State of Texas, there were 7,732 factories and other establishments that exported in 1987. About 2,100 were in manufacturing, the rest were wholesalers and other kinds of intermediaries. We can even look at ZIP codes. For example, in the chairman's district, which apparently comprises ZIP codes 762, 763, 791, and 794, exports totaled $324 million, of which $190 million were manufactured.

[Laughter.]

Mr. MENES. Well, I must say, we have some problems linking ZIP codes to congressional districts. Whoever draws these things, I think it creates a lot of problems for us.

But one of the most interesting things that we have found and which is described in the written testimony is the role of intermediaries, and I think you may want to discuss this later. We found there's a very high level of export involvement by wholesalers and intermediaries, much larger than we would have imagined it to be.

First, most of these intermediary exporters are small businesses, and second, the people they serve are principally small businesses. My colleague will discuss the interaction of the Small Business Administration with ITA, so I won't go into that at this point.

I'd just like to conclude by saying that I think we are extremely committed to export promotion for small businesses. We're looking at a variety of ways to improve that. We've identified that as a need in our internal strategic review. We recognize the need to work more closely with trade associations. We've started to do that, to work out longer term relationships with them, in terms of developing our programs, because we feel that fundamentally, the decision of what kind of programs you should offer firms depends on who you're dealing with and what their needs are. You can't say in isolation, trade fairs are good, or information is good, or market research. It depends very much on who you're dealing with and what their needs are. These all work in some context, but it makes more sense to go out and talk to your customers, find out what they need, and then tell your programs to them, rather than to fit them into what you have. That's certainly the direction we're trying to go in. That ends my formal comments, thank you.

[Mr. Menes' statement may be found in the appendix.]

TESTIMONY OF CHARLES FORD, DEPUTY ASSISTANT SECRETARY FOR INTERNATIONAL OPERATIONS, U.S. DEPARTMENT OF COMMERCE

Mr. FORD. Mr. Chairman, I think in the interest of time and having a further discussion, I'd like to highlight five points that come out in our written testimony, and perhaps pick up on some themes that we've already mentioned in this panel, and, I think, the testimony we heard in the first panel.

I think the written testimony responds to the letter of invitation and some of your interest in learning about US&FCS programs. I would like to comment very briefly on who we are, the US&FCS within the International Trade Administration. Who is our client? I think this gets to the point of small business, and how we try to serve small business.

First, I would like to briefly discuss our products and services, and more of that is in the testimony. Second, it was very interesting, I think, in the first panel to hear a discussion of partnerships. We believe that's a very important aspect of going forward into a more enhanced trade promotion program. Third, I would like to briefly present some final thoughts for you on performance measurement, or how do you really determine what's effective?

Within the International Trade Administration, which is the lead U.S. Government agency for trade promotion, the US&FCS is really, I think, a unique foreign affairs agency. Unique in the sense that we're the only agency that has a domestic field network and a very active overseas network of offices. We have, in fact, 68 offices in the United States, and approximately 131 offices in about, depending on the day, 68 or 69 countries.

We like to think that this global network allows us to have the flexibility and capability—this issue came out in the first panel—to get information developed from overseas markets and get it to a specific client who can use it, and participate actively overseas.

I was interested in the comment on resource allocation as well in this context, about concentrating our resources on the high priority marketplace. We are $100 million agency, which is not a whole lot, when you look at that domestic network and overseas network, to try to get the job done.

Recognizing the danger of spreading ourselves so thinly that we would not be able to really have an impact in any market, we have tried to develop a resource allocation matrix that gives a lot of weight to the size of an economy and to the growth potential of an economy, and U.S. industry interest in that economy. We rank our markets annually from 1 to 68, and as we allocate our budget in a good year or bad year, we try to make sure that we're always focusing on the top quartile of those markets. If we have to, we won't provide staff to the bottom fourth, but try to make sure that we're focusing in on where the real market opportunities are.

Who is the client? I think that is perhaps the key issue, and I think small business for us comes out as one of our major clients. But we didn't ask the question necessarily that way. In the last 3 years, we had a strategic review of our operation, because I think many of us that have been in this business for about 10 years, or more in my case, have been somewhat frustrated that we're trying to be everything to everybody, and not really satisfying anyone.

So, we went through a rather difficult exercise of 18 months, surveying businesses, people who have been using our services, finding out what they liked and what they didn't like. As a result, we determined that where the US&FCS could be most useful for the business community is in helping the infrequent exporter, and, 9 times out of 10, that's going to be small business. But again, much in line with what came through in the testimony of the first panel, we feel that at the Federal level, the US&FCS, is best able to provide services to that company that has a product that is ready to be exported, and often has had infrequent contact with export markets.

We don't think we're adequately prepared, at least in the US&FCS, to deal with that company that's in the preexport stage,

or wanna be kind of stage, that would like to do something, but they're not really sure they have the product, or how to do it.

We'd like to take the company that many times has gone to their domestic trade association show and advertised in trade association magazines, and is increasingly finding they're filling foreign orders. They're intrigued by the possibilities out there. They know they've got a product that works. We can take our network, domestically and overseas, and engage in a way that would support those companies to develop and implement their business plans.

So, we've focused in on our review on this client. As I said, in many cases, the infrequent exporter is going to be small business in the United States, export ready but not new to exporting, rather than those firms that just have a vague desire to get into the overseas marketplace.

Having said that, then, we've asked this client, "What do you want from us?" Not surprisingly, when you get down to it, they would like quality counseling to advise them on where they should be looking, with their scarce resources, to export overseas. They really want information. This is the key challenge. Specific information customized to their need, that would allow them with a one- or two-person international marketing department, to make the best use of their time to get into overseas markets.

They want contacts. If I've decided I'm going to Spain, who are the five people, four people, I need to talk to, to really do business in that market.

Where I think the trade event issue comes into play is for the right client at the right time in their strategy, a trade event overseas is often one of the best ways to get the information or the contacts in one place to do business.

I've got a more detailed description of our specific products in each of these areas in the testimony, but we'll throw those broad categories—counseling, contacts, and trade events—out for you as the areas where our clients have talked to us about their greatest needs.

In our surveys for fiscal year 1992 of who uses our products and services, interestingly enough, small business comes out as the vast majority of firms that are buying our products and services. We have a Matchmaker Trade Mission Program, and 99 percent of the users of that program are from small business. We have a commercial news publication that promotes new products overseas, and 96 percent of the purchasers of ads in that publication are from small business.

We have a Foreign Buyer Program, a very important program where our overseas offices recruit buyers to attend trade fairs in this country, to meet the client directly here in the United States, and 80 percent of the exhibitors in our Foreign Buyer Program are small business. A very inexpensive way to look at addressing your overseas marketing needs is often by sending a catalog on a series of catalog shows overseas, where the United States and Foreign Commercial Service post will organize an event and get potential agents and distributors or users to come, look at the catalogs, and get information back to the U.S. firms on prospective agents or clients.

In this program, 67 percent of the participants are from small business.

We have tried now, with this renewed emphasis on infrequent exporters in trade events, to slant our trade events in a direction that responds to the needs of the infrequent exporter, not necessarily the needs of the large American firm that's been doing business in the marketplace for a long time, and really doesn't need our help to organize a trade event.

So, over 62 percent of our participants in trade events now come from this small business category, just to give you a flavor, I think, of the clientele that we have, and how they use our services.

Partners, again, would be an interesting area to briefly comment on. Having worked in the private sector before joining the Government, I think one appreciates the vast amount of services that local chambers of commerce, industry associations, State and local government can contribute to the whole picture of trade promotion in the United States. So, as a general point, as John described the Trade Promotion Coordinating Committee, I think it's very important that this whole effort go forward in the context of an ample discussion with our various private and public sector partners as to who can do what best.

We're working actively with the Export/Import Bank and the SBA on this whole one-stop shop concept, and working on the trade finance issue, how to marry trade finance with marketing services, so that we can more efficiently serve the U.S. business community. We have a memorandum of understanding with the Small Business Administration, that I think has gone a long way to defining areas of comparative advantage between what the US&FCS can do best and what the SBA can do best, and how we can mutually support each other to avoid duplication of services.

We're cochairing the new Trade Promotion Coordinating Committee's small business committee to look for further ways to sort out issues between the two agencies, to provide a full range of services.

But I think the broader point is for anyone who has been looking at the country, there's full growth on the private side as well as State and local governments in finding ways to help make U.S. firms more competitive overseas. We need to plug into that effort, and make sure that we're not duplicating something that could be more efficiently done by the private sector, but understand well our market niche in this business.

As for performance measurement, and I would conclude on this comment, because I think it's very important, trade promotion has always been one of those difficult areas to get a handle on. What have we done with the money that's been spent? Often it's difficult to say that this one sale took place specifically because you spoke with this company and gave them good names. It's more about assist and how to measure it that we've been trying to grapple with in our strategic review.

We have now focused all of our domestic offices on specific export actions as a measure of performance success. Everything that is done should be with the goal of being able to document, and having the company basically say that their success in this area had a large measure to do with what assistance you were able to

provide to them. We've attempted to measure this success over time, and I have some success stories from our data base, where we have confirmed information from companies over the last few years as to how our assistance has helped them, in some measure, to get into foreign markets.

We are increasingly trying to look at ourselves as a business with clients, and how we measure feedback between the clients and our business, both in terms of bottom-line success, as well as general satisfaction with our programs and services. We have surveys—referred to in the testimony—where we are able, through the district offices in the United States and through our systems at headquarters, to go back to a client who receives counseling or purchases any one of our products or services, and give them a quality assurance survey, all with OMB's blessing, so we're not burdening the business community with paperwork, but we want to hear from people who spend money on our products and services. Did you make a connection? Was this useful? Was this a good product? We're increasingly pleased that the vast majority of the responses are up in the very satisfied or satisfied range, which is an improvement over 3 or 4 years ago, where product quality was one of our biggest deficiencies in the United States and Foreign Commercial Service.

I know that as the Trade Promotion Coordinating Committee continues its work, and different agencies look at their programs in this area, and I know if you look at the scarce resources and how to allocate them, increasingly, this whole question of effectiveness and performance measurement is going to be a very important concern. Thank you very much. I'll be happy to answer any questions.

[Mr. Ford's statement may be found in the appendix.]

Chairman SARPALIUS. Thank you very much, Mr. Ford. Mr. Chiaruttini.

TESTIMONY OF GIORDANO CHIARUTTINI, ACTING DIRECTOR OF OFFICE OF INTERNATIONAL TRADE, U.S. SMALL BUSINESS ADMINISTRATION

Mr. CHIARUTTINI. Good afternoon. The SBA's mandate, as Congress has stated it, is to essentially increase small business international trade and investment opportunities.

I would like to view that role less in terms of just export promotion, and more as enabling small businesses to become globally competitive. The SBA could be compared to a modern department store. It offers virtually every service from domestic startup, assistance, and counseling, to post-trade mission followup and financing. Its small business customers can find all they need within one store. Different customers can avail themselves of different types of assistance as they move along the business development curve.

International trade is an integral part of a small business' development, and the SBA offers the appropriate services to those small businesses who are ready to export. Using a broad network of more than 100 field offices and its resource partners across the country, the SBA possesses a unique capability to deliver international trade assistance to small business. That spectrum of assistance includes counseling, legal guidance, trade missions, conferences, pub-

lications, and financing opportunities. Financing is critical to the small business exporter, and sometimes the SBA provides the only financing available.

Demand for the SBA loan guarantees has risen dramatically over the past 2 years. For example, under the 7(a) category and other SBA loan guaranty programs, SBA approved loans to small businesses that are exporting, totaling $42 million in 1990, $123 million in 1991, and $241 million in 1992. This is clear evidence of the growing number of exporters using the SBA's finance programs.

Outreach and education, assessment, referrals, technical assistance, and financing are key steps to small business assistance, and an integral part of the SBA's overall international trade program. The SBA's mission is to help small businesses remain in business, and then progress along the growth curve to exporting. We identify where a small business lies on the export continuum, that is, the growth curve of a small business with an exportable product or service.

We help the export-willing, the export-ready, and the export-curious. At one end of the spectrum are the export-curious. At the other, are the established small business exporters. Small businesses are key contributors to the U.S. economy. As the department store for small businesses, the SBA provides all categories of assistance throughout a company's growth cycle, until it graduates from a small business to a larger corporation. The SBA's comprehensive, integrated approach to business development prepares small businesses to compete globally. It is the most effective way for a small firm to acquire the tools to enter the world marketplace. Thank you.

[Mr. Chiaruttini's statement may be found in the appendix.]

Chairman SARPALIUS. Thank you very much. I guess I could begin by saying, would the real one-stop shop please stand up? But let me start with Mr. Mendelowitz, and ask you a few questions.

We get different numbers here on how many different agencies deal with exports. Have you ever come up with an official number?

Mr. MENDELOWITZ. I think we tried to come up with a list of agencies that have actual outlays in support of exporting. We issued a report in January 1992, in which we identified 10 agencies that had actual outlays. I think there are 18 on the TPCC?

Mr. MENES. Nineteen.

Mr. FORD. Nineteen.

Mr. MENDELOWITZ. Nineteen on the TPCC, and I think that the difference between our number and their number is that there are some agencies which don't categorize their support in a way that can be identified in the budget process, but their interest in trade——

Mr. MENES. Can contribute to it.

Mr. MENDELOWITZ. Yes.

Chairman SARPALIUS. Would you want to respond?

Mr. MENES. Yes; it depends on what you're talking about. There are agencies that have pure trade policy responsibilities, and relatively small promotion, if any at all. Even the policy may be in a very small niche area. The numbers that do substantial work in trade are relatively limited, but there are others. There have been

other agencies in which Congress has appropriated money for them to be involved in the export promotion business. I'll note the Department of Energy, for example, as recently had been given, the last couple of years, funds to specifically engage in export promotion activities.

Mr. FORD. Some have technical assistance.

Mr. MENES. Yes; there is technical assistance where we'll go to agencies in the past, where we don't have the technical capabilities, and work jointly with them in certain areas.

Mr. MENDELOWITZ. If you look at, for example, the numbers that we reported in January 1992, there was a very small number of agencies that have large dollar outlays in support of exporting. The Agriculture Department is clearly the largest. After the Agriculture Department comes Eximbank, the Commerce Department, the Agency for International Development, and then the numbers get very, very small. So, I mean, those are the big players.

Chairman SARPALIUS. Do you have any idea how many different programs are stretched out within these agencies?

Mr. MENDELOWITZ. The number of programs is quite large. It depends on how you define a program. For example, is TOPS a program? Is Agent Distributor Service a program?

My understanding is that this level of detail is being developed currently in OMB as part of the exercise to implement the mandate and the Export Enhancement Act of 1992. My assumption is that when they're done, they're literally going to have hundreds, probably.

Mr. MENES. Everybody, the Library of Congress, it's amazing. Everybody has a little something, but the issue is really who's involved in helping firms directly, or indirectly to promote exports, and, again, the numbers don't mean too much in terms since it depends on how we count programs. I think it is more useful to speak more about major responsibilities and programmatic requirements to help exporters and that's a lot smaller. In ITA, for example, we could break up our major programs into little pieces, but it really doesn't make much sense to look at it that way.

You can exaggerate the scope of this thing, I think, sometimes, and talk about——

Mr. MENDELOWITZ. Yes; but I think that this strategic plan exercise that TPCC and OMB is going through now is really critical, because I really think that it's going to force, on a Government-wide basis, a kind of strategic and critical thinking that US&FCS went through when it undertook its strategic review about 4 years ago.

I think that if the strategic plan is done correctly, it will parallel in many ways what US&FCS did. In other words, it will identify its customer base, will identify what the needs of the customer base are. It will identify what things are appropriate for the Government to do, in terms of meeting the customer base. There's no point in having the Government do what the private sector can do for itself, and then, funding for programs, and the types of programs that get supported should follow from that analysis of where the need is, where it can have the biggest bang for the buck, what is it appropriate for the Government to do?

Chairman SARPALIUS. Does it concern you at all when you look at TPCC doing this study, that it has no independent staff? That it is, in fact, fully funded by the Department of Commerce?

Mr. MENDELOWITZ. I think it doesn't worry me excessively. If we're going to make progress, we're going to make progress because the agencies work together, so, they might as well work together developing the plans and doing the analysis, rather than having some sort of independent staff of civil servants who then try to impose something on the agencies from the outside. So, I don't have a problem with it.

Chairman SARPALIUS. You don't have a problem with it? As you know, our ultimate goal is to try to streamline Government, do a more efficient job, have one place where the customer out there can call and really get some assistance, play a more aggressive role in finding markets, and do everything we can to help small businesses export.

But everybody wants a piece of the pie, and that is a concern that some people have expressed, and I was just curious what your opinion was.

Mr. MENDELOWITZ. There are two ways to try to solve the problem. There's the maximalist solution, and then there's the minimalist solution. The maximalist solution yields a result, if you could achieve it, that would be very effective, and that is the solution of creating a department of trade, or department of trade and industry, to bring all the programs together, rationalize them, and bring their budgets together, so that programs get funded effectively.

That's a proposal which would produce a result that you're looking for. The problem is that there are tremendous obstacles to creating a department of trade. What the TPCC represents, and what the Government-wide strategic plan/unified budget represents, is sort of a minimalist approach to try to achieve that, and it's going to require that the agencies work together. So, I'm happy to see the agencies working together on the TPCC, and I hope this will, in fact, set a precedent for them to work together in the delivery of the programs.

I would very much like to see, as I've indicated, the SBA, for example, and Commerce working together to jointly create from their common staffs a series of these one-stop shops that could provide the full range of exporting assistance. The beauty of doing it through a collaborative effort is that you can enhance and improve delivery of Government services to the private sector, to the small business community, without spending more money.

One of the things we identified, for example, is that there are 12 cities where the SBA and the Commerce Department have their district offices in the same buildings. All you have to do is move a few people a few floors in the same building or down the hall, and you can be making an improvement in the way this service is delivered to the business community.

Probably in those cities, you could do a one-stop shop, and the major cost would be the training effort, to make sure that, say, loan officers brought over from the SBA to the one-stop shops really know how to help the small business community access export financing.

Chairman SARPALIUS. In general, how well trained are U.S. trade assistance officials, in your opinion?

Mr. MENDELOWITZ. I think it varies. I think that it varies between the agencies, and it varies within the agencies. I think, for example, at Eximbank, the loan officers who run the programs are quite well versed in export financing. I think the Commerce Department has come a long way in the past 4 or 5 years in training its people and focusing its efforts.

SBA, because its efforts are much more diffused and much less centrally directed, I think, have a greater variation within the agency. There are some SBA operations that really provide first-rate assistance to people looking for help. There are others that don't. There are some SBA loan officers, a few, who are really up on this, but a large number of them who are not.

If you look at the figures of increased usage of their export revolving line of credit over the past couple of years, I think that reflects efforts to train their loan officers in the program, bring them up to speed, so they can access them better.

Chairman SARPALIUS. In your testimony, you were pretty critical of the SBA and their training, and I certainly want them to have a chance to respond to that. But training qualified people who can be of assistance is important.

What is your opinion?

Mr. CHIARUTTINI. I've been sitting here patiently——

Mr. MENDELOWITZ. You should know that we all know each other. I know Jerry well enough to know how to even pronounce his name correctly.

[Laughter.]

Mr. CHIARUTTINI. Yes; we spent many afternoons in an airless room going over much of the material that's being discussed today.

I feel that some of the points that were brought up on the GAO study on us, and published on us last September, there's some validity to them. Where I think our perspectives differ, and I tried to give that in the written testimony, and also in the recap in my oral testimony, the SBA looks at small business ability to export, not as it appears under a bell jar, a discrete distance from the rest of the business development cycle, but an integral part of that development of a small business.

So, although GAO has identified a small portion of the SBA budget going directly to international trade, a lot of a small business' development that's headed toward exporting would not show up on GAO ledgers. It would show up under management assistance and business development assistance, technical assistance, during the normal course of the development of a business. Eventually, as it matures, that business would then export. By the way, that includes export assistance not just from the SBA, but from the Department of Commerce. Ms. Littlejohn mentioned the value of having country officers and industry—specific assistance that the SBA cannot offer.

In the training of our field staff, which amounts to about 10 full-time regional international trade officers, and 68 part-time district international trade officers, we take the role of training our field staff very seriously. This will be our third year of training for all of our field staff, including the Service Corps of Retired Executive

International Trade Coordinator. This year we will spend about 5 days in one geographic area, on how to do international trade training and counseling. We will let our field know about SBA programs and those of other agencies.

I share the frustration about trade financing available to small businesses, I agree with the GAO report on that point. In the coming summer, we're going to be working with the Bankers' Association for Foreign Trade, cosponsoring five conferences across the United States, through which we will work with this bankers' association, and try to point out to them the advantages of getting small businesses to export, and how the banks can benefit from that association.

Chairman SARPALIUS. OK. You have 5 months, am I correct, to complete this study? Tell me how you're coming along on it, where are you?

Mr. MENES. Well——

Mr. MENDELOWITZ. Chapter 1.

Mr. MENES. Chapter 1. Two levels are going on. One is the deputies group is setting goals and objectives, Mr. Rollwagen and Mr. Brody have been meeting and others.

I mentioned that there were three groups ongoing, and they are literally meeting 3 hours a day, 5 days a week, for the next 3 weeks. This is part of a kind of a new approach to these things. We have representatives from all the different agencies.

I think by the end of this month, we'll have a clearer timetable. We should be to the point of establishing what our overall goals and objectives would be in this, and then work on fleshing them out.

Now, we have certainly been cognizant since we started early on that we needed to meet the deadline. I think the budget aspects are going to be the most trying, and I suspect what you'll see in September is a first cut at this, because it's never been done before. It won't be perfect by any means. It's especially difficult to segregate these things out because of the way agencies keep track of their funds.

But the key thing, and I've been in this about 21 years in the Commerce Department and 5 years in State, is the issue of the Government's role in export promotion. I was involved in the National Export Initiative in 1979 under President Carter, which also considers this issue of the Government role. We need to get a complete agreement on that role. I think this is where the law is good, this is where TPCC makes excellent sense, is in establishing clearly what the Government's strategy is, what its role is, who its customers are, and we get complete agreement throughout the executive branch on that, including all aspects of it, including OMB.

That will greatly facilitate the process from here on out, because surprisingly, there's never been 100-percent agreement in the executive branch over the years, regardless of the administration, as to what the role of the Government should be.

Chairman SARPALIUS. So, you think you are going to meet it?

Mr. MENES. We'll meet it. I'm convinced we're going to meet it. The rate at which things are occurring in this administration, it may not be as obvious from outside, but the levels of meetings, reports, and analysis is the highest I've ever seen. I mean, people are

just running around like mad, trying to review a wide range of things, and I think the energy is there. As I say, the Secretary is really committed to this, and it's not just lip service. Secretary Brown is really committed to it as is John Rollwagen; no question in my mind about that.

Chairman SARPALIUS. I would think that the goals that the President has expressed on trying to streamline Government, do a more efficient job in what we're trying to do, your responsibility, legislation that I voted for and strongly support, is something that I think is important. We're looking forward to hearing your recommendations on how we are going to streamline, and do a more efficient job relating to trade.

Mr. MENES. Well, I certainly think they'll be there. There's a second stream, the Vice President's effort at reinventing Government, which is the terminology used. But I think there's a great deal of interest in that same area of how do you streamline this, and even the way we're operating now is somewhat different from what historically might have been the way this is being approached.

Chairman SARPALIUS. Mr. Ford, tell me some more about your offices that you have overseas, and the training that those people have. Why is it that Canada and other countries have been much more aggressive in finding markets than our country? Have we probably been missing the boat somewhere?

Mr. FORD. We have, as I mentioned, 131 offices in 65 to 67 countries, depending on how you want to count Taiwan. In 1980, when the commercial function was transferred to the Commerce Department from the State Department, we largely inherited a structure that the State Department had in place for commercial sections overseas.

In recent years, we have been using a resource allocation model to help us allocate those resources according to prime markets. The bulk of our staffing you'll find in Western Europe, Canada, Mexico, Japan, and the more dynamic developing countries of Southeast Asia and Latin America. Because we think in terms of the base that I identified as our client, this is where they have the best chance of succeeding.

I mentioned before, we have around 200 officers. I think right now we have 183 on board. But one of the secrets of our operation is well-trained and qualified foreign service national employees who provide an excellent institutional base as our foreign service officers rotate in and out.

To get to your question on the Canadians with 100 or so, I don't recall the number correctly, officers in the United States, we are confronted with a budgetary situation where you could go to that level only at the expense of most of the rest of the world, if we wanted to get into that kind of reallocation within the pie. We have, as I mentioned, divided our countries into quartiles where we have a top 25 percent, and you could get in the situation where you decide to put all of your resources in those top markets, and just not focus on markets that were less attractive on a comparative basis. But we've tried to make sure we have coverage, because we survey business, and, where they want our needs and services, we try to have a presence there. But clearly, our structure is very

heavy in terms of markets that are relatively easy compared to others for our infrequent exporters to penetrate and need our information and counseling. For example, we have a total of 55 officers and national employees in Germany, But I think the real issue there is the level of overall resource commitment needed to reach the kind of level you're talking about with the Canadians.

Chairman SARPALIUS. We heard earlier testimony from two ladies here who expressed, in their opinion, two golden opportunities for us are in Mexico and China. Tell me what you're doing in those two countries?

Mr. FORD. In Mexico, we have tried to stay on top with staffing increases since 1989. We've added four officer positions to the Mexican operation, and 10 foreign service national jobs. This is an attempt to respond to, largely not the NAFTA, as much as what the Mexican economy has been doing for itself.

I think a lot of what has been going on in Mexico is because the Mexicans have opened up their economy considerably over the way it used to be. So, we have responded with resources in Mexico, and in a similar fashion, with China. I can get you for the record more specific numbers in those areas.

With Mexico, we are developing the idea of a pilot with a group of partners, the National Association of State Development Agency, at the State's request. We are exploring the possibility of augmenting our staff in Mexico with resources from the States, in a way that we might be able to have a pilot where six or seven States would come together and indicate they don't have the ability to be present in the Mexican market on their own, that they could pool resources, and we would have employees hired for them in our embassy that would work for those States. There are some interesting ideas out there on how we can creatively take some of the private or State and local resources, and merge them into this kind of targeting approach.

But again, our regular approach is to look where these dynamic markets are emerging. Mexico is clearly one. China has been one, particularly Southern China, and how we can engage more resources quickly to get to take advantage of those markets.

In a similar fashion, less driven by market potential, we have tried to be prudently aggressive in areas of the former Soviet Union where, with the changes that have been going on over there, we have tried to beef up our Moscow operation. We've opened an office in St. Petersburg and Kiev, and over the next few months, will be opening smaller offices in Tashkent, Uzbekistan, and Almaty Kazakhstan, and in the Russian far east, in Vladivostok.

So, we're trying to again gauge what business needs from us without overreacting too much in markets that are quite troubled in terms of medium term prospects for U.S. business.

Mr. MENDELOWITZ. Mr. Chairman, if I could add something to Mr. Ford's answer, I think that the problem that you've identified goes well beyond the activities of just the Department of Commerce and its deployment of resources overseas. The problem really is the reason why the Export Enhancement Act of 1992 was passed—the fact that there was no coherence or apparent rational structure to the funding of export promotion across the Government as a whole.

There is no budget functional category for export promotion, and, therefore, the Commerce Department's export promotion programs compete with other Commerce Department funding, and the Agriculture Department's export programs compete with other Agriculture Department Programs, rather than one with the other.

So, the result is that you have a situation where the Foreign Commercial Service in 1991 had just somewhere around $4 or $4.5 million to run its whole operation in Japan, to provide all the assistance to the U.S. exporting community that it provides. At the same time, the California Raisin Advisory Board got $4.5 million from the Agriculture Department to advertise raisins in the Japanese market. Now, I think there's a disconnect there in terms of defining where our national interest lies and serving the American taxpayers most effectively, and I think those are the types of problems which, hopefully, will be addressed with the creation of the Government-wide plan and the budget priorities as envisioned by the Export Enhancement Act of 1992.

Chairman SARPALIUS. Mr. Chiaruttini, given the fact that the SBA's Office of International Trade has only, from what I understand, 26 full-time employees nationwide, do you think that your mandate to increase small businesses' trade and investment opportunities is too broad?

Mr. CHIARUTTINI. It certainly keeps us busy, sir. I would say that we are reexamining where our focus should be. That was one of the recommendations from the GAO report, and, perhaps, it might force us to make some choices.

Right now, the legislation says, any small business which shows up at our doorstep, we have to talk with them, meet with them, no matter if they're an infrequent exporter or just export curious. We interpret the legislation to mean that we have to deal with them on an equal basis. That is, give the same amount of time to the export-curious as the infrequent exporting small business. That's something I think we would like to look at more carefully.

Chairman SARPALIUS. Mr. Hefley.

Mr. HEFLEY. Thank you. Very good testimony, it is interesting and somewhat encouraging the amount of activity that is going on in this area.

I guess I am having a little problem getting a feel for what kind of results we are getting from all this activity, and I would appreciate your comments on that. We talked about it, and it sounds like you have a lot of good stuff out there. But are you having companies, big or small, and we are interested particularly in the small, that are coming back to you and saying, wow, terrific, that is exactly what I needed, and look at the results. Do we have anyway to measure results of this?

Mr. FORD. I might expand a little bit on what I tried to get at in my comments about the difficulty of doing that, and the attempts we're making.

We like to look at the quality of the product we have. So, if we're trying to match companies up with agents and distributors, and we have a service, and someone signs up for that, we're going back to them asking, "Are you satisfied? Did you make your contact?" So, in a certain sense, by this intermediate measurement, we get an idea of satisfaction, that they wanted a credit check on a foreign

firm, and they were highly satisfied that we did the job, and that was part of the effort.

We hesitate to throw out too many numbers, because there are certain caveats you have to put around this. We're working on a success story data base, but we don't want to get to the point, given our scarce resources, where we're tasking our officers to spend their whole time chasing the people they've just seen, and not getting to see the people they need to see. But when they really help the company, and they have a name from the company that they can share with us, we want them to report this back to us from overseas. We will then call the firm up, and say, in a very low key manner, "We understand that you were visiting our office. Is it true that the service that was provided really was useful for this sale?" If they confirm that, we put this in the data base.

On the domestic front, we're trying to focus our district offices on really specific export actions. They shouldn't tell us anything unless they actually can say that at the end of the day, after they did all these things, the company came to them and told them, openly again, no pressure, but openly said, this really accounted for the fact we were able to sell overseas.

We took a stab at looking at fiscal year 1990 to 1992 numbers as to what we were able to get on this admittedly ad hoc and anecdotal basis, and we looked at about 1,200 of these success stories, and were able to document about $12 billion worth of sales. This includes a large measure of overseas support that goes to the airlines, to Boeing, and others that are in the aerospace business, and so, there are large sales in that. But a considerable portion looks at, I think, small- and medium-sized company sales.

You can extrapolate back from that in a rough way to jobs created, if you accept a certain number of jobs for *x* amount of exports and tax revenue generated. It's an indicator that we have some data on. I'll be happy to share more details with you on it. We admit and put caveats around it, because it's an imprecise science, but it goes to what I think all of us in trade promotion have to confront, particularly when you're dealing with scare dollars is, how do you measure the performance? Again, this fine line, you don't want to be hounding your client to the point that they are reluctant to tell you what's happened. There's always that difficulty, where many firms, particularly the sales manager might not want the boss to know that the sale happened because there was some assistance provided. There are all sorts of issues there, but we have made an attempt in this success story data base format, and reporting on export actions to really have some concrete data with verifiable names in companies that could talk to us about it.

Mr. HEFLEY. Does anybody else want to comment on that?

Mr. MENDELOWITZ. Yes; I think we have to keep in mind the private sector makes export sales. All the Government can do is facilitate the exporting effort, and to try to justify the existence of these programs based on identifiable export sales directly attributable to the Government assistance or facilitating help provided, I think, is setting an extremely high standard by which to measure the success of the program.

I'm a very strong supporter of intermediate measures. If you do a good job surveying your customer base as to what his needs are,

you can identify that those are, in fact, things that are appropriate for the Government to do. Then you follow up by surveying your customer base to ensure that, in fact, your customer base feels you provided a worthwhile service.

I think you've gone about as far as you can go with great confidence. Show me a salesman who will credit the Government with having made a sale, and I'll show you a salesman who doesn't have the fire in his belly to be a success.

Mr. HEFLEY. My experience has been that most small businesses are scared to death. They dream of exporting. That looks like a great market out there, but they're scared to death of it. They don't know the language; they don't know the customs; they don't have the permits; they don't know this and that.

By all of our efforts, are we creating an atmosphere where a small business is feeling more comfortable to come in and talk to you about it, and explore it? Is that on the increase or not?

Mr. CHIARUTTINI. I would like to answer that. Our participation in trade events, workshops, and seminars—this is only anecdotal, and Allan and I do agree on this—it's very difficult to assess your success. Someone has described measuring the success of export promotion efforts as being about as easy as nailing Jello to the wall. It's really difficult to get a handle on just how well you're doing.

I think, based upon the small business trade events we do, even the export curious, they hang in there for a 3-day conference, sit in a room, perhaps with no air conditioning, until Thursday or Friday afternoon listening to someone talk about customs duties. This scene occurs over and over again. There's a seriousness there, and somehow I feel the message is getting out.

I think also some small businesses see how committed they have to be to export, and we can do them a service by saying, "Maybe you're not ready yet. Maybe you should come back in 2 years."

Mr. HEFLEY. You do tell them that sometimes?

Mr. CHIARUTTINI. Oh, absolutely, in our intake and assessment, and that serves a purpose. It saves capital, it saves time, and it makes room for those small businesses that are ready to export.

Mr. HEFLEY. We have heard it in your testimony and in the prior testimony, about other countries who put more emphasis on this than we seem to be putting. Are we putting enough emphasis on it? Should we put more resources into this whole area of export?

Mr. MENDELOWITZ. I think the General Accounting Office is an unlikely organization to be proposing that we spend more money. I think the way we would like to describe the approach to this is that, currently, the taxpayer has no assurance that the funds that are being expended are being expended effectively. There is too much overlap, duplication, and lack of coherence to the programs and to the funding of the programs.

We think that the priority should be first given to rationalizing over the funding, and these delivery mechanisms that provide export assistance, through the creation of the National Strategic Exporting Plan and the budget priorities associated with that plan. When that is finished, I think that the Congress and the administration will be in a much better position to judge whether, in fact, more funds are needed.

At this point, we can tell you that there are programs out there that have more money than they can use effectively. There are other programs out there that don't have enough money. On the one hand, we have had periods of time when Foreign Commercial Service officers overseas were not returning phone calls or faxes because they didn't have money in their budget to pay for the telephone calls.

On the other hand, and this is, of course, dated information, it goes back to 1989, we have the example in 1989 where the Target Export Assistance Program at the Agriculture Department was just giving away money. I think it was the chief financial officer of Newman's Own who reported that she received a call that said, send us a letter, and we'll send you some money. So, we've got to get all that worked out. We've got to get all that sorted out, and once we're using what we're spending now effectively, we'll be in a better position to decide whether, in fact, more is decided. I mean, we, not me personally, but the Congress and the administration.

Mr. HEFLEY. Well, is Congress at fault for all this kind of overlapping jurisdictional problems? Is it our fault that we need to change the rules of the game here?

Mr. MENDELOWITZ. I wouldn't say Congress is specifically at fault. I would say that there are a large number of reasons why this happens.

Clearly, the fact that the budget of the United States has no budget functional category for export promotion makes it very difficult to approach the issue rationally. The fact that there are, I believe, five subcommittees in the House Appropriations Committee and five subcommittees in the Senate Appropriations Committee, which fund some kind of export promotion programs, makes it very difficult for the programs to be addressed rationally.

The fact that there are a large number of different committees that have oversight responsibility over various pieces of the export promotion programs makes it difficult to address it rationally.

An observation—I realized this at one point along the way—is that in all of Washington, there's only one organization where the work relating to all the exporting that goes on in the Government is brought together in one place, and that's at the General Accounting Office. We have one group that looks at what's going on with respect to exporting at Commerce, at Eximbank, at the SBA, and the Agriculture Department, Energy Department, and we are it. At every place else in this town, the issue is addressed piecemeal, with a large number of people having cognizance over a small piece of it.

Mr. HEFLEY. Are you optimistic that we're going to make progress on getting some rationale to this, or do we really need to restructure it in Congress to get to that point?

The purpose of having you in is to try and see if we can figure out anything that we can do better.

Mr. MENDELOWITZ. Sure. I really believe that the Export Enhancement Act of 1992 is a very, very important first step if it's seriously implemented, and effectively implemented. The power of what's required under that Act is quite substantial, and the beauty of it is that it doesn't cause people to throw up defenses. It doesn't cause people to immediately look to turf protection and things like

that, because it really requires a sort of very analytical approach to what we're doing.

If you were to tell me that Congress was going to take a hard look at all of its committee structures, they were going to try to restructure the committees——

Mr. HEFLEY. You would laugh, but then what would you do?

Mr. MENDELOWITZ. No.

[Laughter.]

Mr. MENDELOWITZ. I would say, well, listen, we're at a watershed in history. The Cold War is over, the Soviet Union is collapsed, the United States is in the process of really reordering its priorities, and reordered priorities probably require, to be really effective at the governmental level, a reorganization of the executive branch agencies. When the executive branch agencies are reorganized, providing appropriate oversight of that would require some restructuring of the committee structure on the Hill.

I don't think it's something that Congress can or should or has to do by itself. I think it's really a question of how the Government sits down to figure out what's the most effective structure to pursue our new priorities in the post-Cold War era.

Mr. HEFLEY. One last area I'd like for us to look at. We talked a lot about experience, and whether people are trained well enough to really provide the good advice that these people are seeking. One of the programs, I think, that has worked very well is SCORE, and I like the idea of using retired senior executives, people who have done it themselves, to really do it. How effective is this?

Mr. CHIARUTTINI. I think as with all volunteer efforts, it varies. I have talked with small businesses that will sing the praises of SCORE in helping them go international, and often this is in areas where there are big retirement communities. Boca Raton has a great reputation for good SCORE volunteers. It varies.

I think it's a resource that we try to shape within the SBA. At training events, we try to include what we call regional international trade coordinators of SCORE. They're going to be involved in our August training. Our office also pays part of the expenses of a SCORE international trade director who works right with our office to interface with the SCORE membership, which now comprises 13,000 volunteers. We estimate maybe 850 have some kind of international trade experience.

I think the talent is there. I think it varies in degree of effectiveness. That's just again, anecdotal. I have no real strong evidence one way or the other.

Mr. MENDELOWITZ. When we did our assessment of the SBA's assistance to exporters, we looked at the export revolving line of credit program. We looked at the loan guaranty programs. We looked at the SBDC Program. We looked at the Office of International Trade. We looked at the trade specialists out in the regions.

We did not do an in depth assessment of the SCORE contribution to export counseling, and the reason why we didn't is that when we did a cursory review of the statistics, the vast majority of SCORE participation and export counseling were one-time meetings, and we felt that it was nothing very involved and substantive that warranted our expenditure of resources to look at it. These one-time meetings may provide very important assistance and information

to small firms, even if it's just, as Jerry pointed out, telling them that they're not ready to export yet.

Mr. CHIARUTTINI. Or, if they are, we make a referral to, perhaps, a small business institute, or an SBDC, or to someone at Commerce.

Mr. MENDELOWITZ. Right.

Mr. CHIARUTTINI. They act as an entry point for the export curious.

Mr. MENDELOWITZ. But the direct assistance provided by almost all the SCORE contacts didn't go beyond one time meetings, and so we were quite confident that as a programmatic area, it didn't represent the kind of in-depth assistance that, in fact, would take a company by the hand and help transit it into the export business world.

Mr. HEFLEY. Thank you very much. Great testimony.

Chairman SARPALIUS. Thank you. I want to also close by saying that we will keep the record open for other members who would like to offer any other statements.

[Mr. Hefley's and Mr. Ramstad's statements may be found in the appendix.]

Chairman SARPALIUS. Also, I have several more questions I would like to ask, but we would be here all afternoon. If you do not mind, we will send you those, if you would be kind enough to answer those questions for us.

This committee has been charged with the responsibility of trying to help small businesses benefit from exports, and I think all of us have admitted that we have some weak spots, and we want to try and do a better job. Each one of us will go home tonight to our families, and we do not have to worry about our paycheck next month.

But you have to think that there are thousands of people in this country who do not have a paycheck, and for every $1 billion that we can generate through exports, that is 20,000 jobs to the American people. So, when you go home tonight and you think about how fortunate you are, stop and think of the opportunities that you have to try to help provide employment for many other people.

I hope we can work together as a team to try to streamline Government, do a more efficient job and to really provide a service for those small businesses out there that are trying to be more successful. I thank each one of you gentlemen for your testimony, for your time, for your efforts and for the job that you are doing. Thank you.

[Whereupon, at 3:50 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

APPENDIX

STATEMENT OF REP. BILL SARPALIUS, CHAIRMAN

SUBCOMMITTEE ON THE DEVELOPMENT OF RURAL ENTERPRISES,

EXPORTS AND THE ENVIRONMENT

HEARING ON THE EFFECTIVENESS OF FEDERAL EXPORT PROGRAMS

April 28, 1993

This hearing will ask what can be done to help small businesses export, do they need special assistance, and which agency is best suited to meet the needs of small businesses. Based on this information, the Subcommittee will evaluate and look to streamline export assistance programs to make them more 'user friendly.'

Since small businesses account for over half of all of the jobs in America, increasing small business exports could result in the creation of many high-wage positions. Unfortunately, less than 10 percent of all American small businesses -- and that's a generous figure -- are involved in exporting.

In today's global economy, it is imperative that U.S. businesses get involved in exporting -- it's the only way we'll maintain our competitive edge. Gone are the days when an American firm can be content with just the U.S. market. We live in a different world today, and to be competitive, we need to realize that we live in a global market place.

In short, U.S. business needs to learn how to compete internationally, and it needs to learn how to become a more aggressive exporter. This is an area where there is much room for improvement: in 1991, U.S. exports accounted for only 7.5 percent of the Gross Domestic Product, compared with 25.8 percent for Germany and 17.8 percent for France.

We need to be creative in encouraging U.S. exports and use every tool at our disposal. So far, we have failed to do so. In 1993, the U.S. will offer $350 million in tied-aid financing to help facilitate U.S. capital goods exports, while Japan, Germany and other nations are expected to spend over $10 billion each for the same purpose.

The U.S. Government has been slow to rise to the challenge of increasing the volume of American exports. With over 100 programs scattered among ten agencies, the federal government has responded to the export challenge in a disjointed manner.

For far too long, the federal government has been dormant, while Europe and Japan have been ruling the global market. Now it's time for America to wake up and learn to compete internationally. What will it take to achieve that goal? That's what this hearing is all about.

The time has come for the federal government to put its shotgun down and to deal with the export problem with a rifle shot -- with a single focus in mind. Let's figure out what the goal is and then figure out the best, most cost-effective way of getting there.

Competing globally requires that businesses explore and capture markets in other countries -- especially small businesses.

Why small business? Because America's small businesses can be a source of tremendous growth for this nation. Their active exporting to many different nations can be an excellent source of economic stability and a chance for long-term sustained economic growth.

This whole country is looking at ways to stimulate our economy and to create new jobs. The American people, throughout our history, have always had the desire to compete. The American ideal promises each and everyone of us the right to dream any dream and the chance to make that dream come true. The time has come for us to give the opportunities that the world has to offer to America's small businesses.

Unfortunately, small businesses can't do it alone -- they lack the resources necessary to penetrate the global market. Fortunately, we have some excellent witnesses here today who can shed light on how we can improve the federal government's export assistance programs and to decide which agency is best suited to that mission.

COLORADO
FIFTH DISTRICT

ARMED SERVICES
SMALL BUSINESS
INTERIOR AND INSULAR AFFAIRS

Congress of the United States
House of Representatives

April 28, 1993

Introductory Statement of Congressman Joel Hefley
Small Business Export Hearing
House Small Business Committee
Subcommittee on Development of Rural Enterprises, Exports, and the Environment.

Mr. Chairman, thank you for holding this hearing on the federal government's export promotion programs. Considering how important exports are to our economic health, I think this is an appropriate subject with which to inaugurate this subcommittee's activities.

I look forward to hearing the testimony of our witnesses today. Certainly, given the current state of federal export promotion, I think there is much room for improvement and I hope today's witnesses can help us to direct our efforts.

According to the GAO, the federal government spent $2.6 billion in Fiscal Year 1991 on its export promotion activities. While almost $2 billion of that money went to Agriculture Department programs, only $3.7 million was spent by the Small Business Administration. Given this imbalance, I think its safe to say that our federal export programs suffer from a lack of direction.

For example, I recently learned that the Agriculture Department has provided advertising subsidies to successful corporations like Dole, Sunkist, and Pillsbury. While I don't have anything against orange growers, I think the fact that these three companies receive several times more money for export promotion than all of America's small businesses put together demonstrates a failure on the part of Congress to coordinate and provide oversight of our export promotion efforts.

A recent GAO report highlighted this failure in its report on the Trade Promotion Coordinating Committee. Since we have both the trade expert from the GAO and a representative from the Trade Promotion Coordinating Committee here today, I expect some of these concerns will be addressed.

Within the Small Business Administration's programs, I hope their witness can provide us with some insight into how the SBA export programs work, if at all. Another GAO report on SBA export programs was critical of the SBA programs and recommended a more focused approach.

Another issue facing the SBA is the Clinton Administration's proposal to eliminate the Small Business Development Center Program. The bulk of the SBA's export promotion effort is conducted through these centers and this action would obviously have a dramatic impact on the SBA's export promotion program. I'm interested to hear a reaction to President Clinton's proposal.

Once again, I thank Chairman Sarpalius for holding this hearing and I thank the witnesses for taking the time to be with us today. I look forward to an informative and productive hearing.

STATEMENT OF CONGRESSMAN JIM RAMSTAD
BEFORE THE HOUSE SMALL BUSINESS SUBCOMMITTEE ON EXPORTS
April 28, 1993

SMALL BUSINESS EXPORTS: THE UNTAPPED POTENTIAL

Mr. Chairman, I want to thank you for calling this important hearing to examine the effectiveness of current Federal export programs and their impact on small businesses.

In our increasingly global economy, it is absolutely essential to continue the strong growth in exports we have enjoyed in recent years. Exports accounted for 70 percent of the growth in our country's GNP over the last three years. In 1991, exports reached a record $422 billion. Without overseas markets for U.S.-made goods, the recent recession would have been even more devastating to our economy and workers.

In recent years, trade-related jobs have grown three times faster than overall job creation. In my state, there are some 95,000 jobs directly related to foreign trade. Almost 2,000 Minnesota businesses export. Clearly, trade is vital to the health of the U.S. economy.

We all know the value of small businesses to our economy. Small businesses account for some 85 percent of the job growth in our economy, and in fact, created all of the net new jobs in this country between 1988 and 1990, according to the SBA.

It is obvious that encouraging and enabling the job-creating, small business sector of our economy to expand its ability to export is absolutely crucial to ensuring the long-term competitiveness and economic health of our country.

That's why it is so important to hold hearings like this to examine the federal government's role in export and trade promotion and to determine the effectiveness of current programs.

I have heard that there are some 100 different programs, in over 10 different federal agencies, that provide export assistance! Because of a lack of clear priorities and strategy, it appears these programs are not as effective as they could be -- particularly in relation to small businesses.

Mr. Chairman, we certainly need to thoroughly investigate these programs and consider a complete overhaul of existing programs so they can better serve the small businesses of our country.

I am very much looking forward to hearing from our witnesses today. Let's hope today's hearing is the first step in that thorough -- and necessary -- reform effort.

GLOBAL
STRATEGIES

7710 44th Street, Suite 100
Chevy Chase, MD 20815
United States of America
Pnone: (301) 951-9411
Fax: (301) 907-8329

Testimony by Virginia Littlejohn on behalf of the U.S. Chamber of Commerce and the National Association of Women Business Owners before the Subcommittee on the Development of Rural Enterprises, Exports and the Environment of the House Committee on Small Business April 28, 1993

Good morning, Mr. Chairman, and members of the Committee. It is a pleasure to be here today to address the needs of small and midsized business exporters.

My name is Virginia Littlejohn, President of Global Strategies in Chevy Chase, Maryland. I serve as Chair of the U.S. Chamber of Commerce's International Subcommittee of its Council of Small Business, as Executive Director of the National Association of Women Business Owners (NAWBO), and as Vice President of the 28-nation *Les Femmes Chefs d'Entreprises Mondiales*, known as FCEM, or the World Association of Women Entrepreneurs. By way of additional background, let me say that I have lived in Germany, Japan, Mexico and Central Europe for a total of ten years; negotiated international business deals; helped established business organizations and trade associations in the Philippines and the former Soviet Union; and worked extensively in the former Warsaw Pact countries. I currently write the "Going Global" column for *Association Trends* – the newsweekly for the association community – which outlines ways in which associations can help their members penetrate international markets.

For most of our history, America's economy operated successfully in splendid isolation. But with the increasing integration of the world's economies, NAWBO and the U.S. Chamber of Commerce believe that the United States must export far more aggressively if we are to enhance our international

competitiveness, improve our balance of payments deficit, and maintain our quality of life.

We must set a national goal to expand American exports to at least the average of the G-7 countries by the year 2000. That means we must raise the volume of U.S. exports as a percentage of Gross Domestic Product from the current 7.5 percent to the current G-7 average of 16.5 percent. This is crucial to our economic well being, as exporters have contributed most of the growth in the U.S. economy in the past three years. The creation of new jobs in large, midsized and small firms in all sectors is vitally dependent on accelerating that trend.

Export growth as a national priority can be achieved by:

- Formulating a national export development plan with sustained oversight by the White House to ensure strategic coordination among all relevant federal agencies.

- A unified budget, which aligns resources to advance priorities of the national plan.

- Encouraging commercial banks to provide export finance, and increasing federal export finance programs.

- Greater leveraging of U.S. contributions to international financial institutions to benefit American exporters.

This testimony will discuss several of these concepts from the point of view of small and midsized businesses, and will touch upon the role of the private sector in facilitating trade expansion.

The preponderance of U.S. exporting today is done by Fortune 1000 companies. Only an estimated 1 in 10 small and midsized businesses that could export currently does so. Future growth must come from passive exporters--those who export infrequently--and those who've never tried. With appropriate leadership, training and support, thousands of additional small and midsized American firms could become successful exporters.

The first obstacle is knowledge and skills gaps, and fear of the unknown. When everyone around you

believes the world is flat, it requires courage and an enormous leap of faith to set sail around the world.

A second cluster of obstacles are the numerous competing agencies in the Federal export infrastructure. Most small and midsized businesses simply don't have the know-how, resources and stamina to wend their way through the over 20 separate Federal agencies comprising America's exporting maze.

Federal players trying to entice smaller firms into the global marketplace include the Small Business Administration, Department of Commerce, Eximbank, and the Overseas Private Investment Corporation (OPIC).

Historically, Commerce's and SBA's efforts have focused on encouraging small and midsized businesses to go on trade missions, or to attend large export promotion events. While many of these trade missions are highly effective, large dog-and-pony shows designed to encourage the multitudes to export are not, in our opinion, a good use of taxpayers' money. The current de-emphasis of this program is encouraging. The government should emphasize those sectors and those markets where U.S. exporters have the most potential for increased sales of services and value-added products. In addition, the government should develop profiles of successful small and midsized business exporters, and work closely--on an on-going basis--with industries and companies that are likely to be successful.

While Exim has provided a portion of its loans to firms that are not in the Fortune 1000, their programs are generally not well known in the small and midsized business community. Eximbank simply lacks the outreach resources to involve these smaller firms and local banks are often ill-equipped to participate in these programs.

And finally, while Commerce and other agencies have generated literally tons of information about doing business overseas, because of the sheer magnitude of the tonnage, it has often been difficult to sluice out "golden nugget" information and business opportunities from low-grade ore.

The entire process needs to be made more user-friendly for small and midsized firms by emphasizing one-stop shopping, improving access to high quality information through the use of technology, increased mentoring, and improved access to capital and international business relationships. More aggressive support of exporting would strengthen manufacturing as a contributor to job creation and economic

growth, and stimulate new growth industries with mature domestic markets.

A rational exporting policy must include meaningful policies and programmatic support for the exporting of services, which has been an orphaned child in the area of export promotion. Services are a sector in which the U.S. leads the world. Two-thirds of U.S. GDP is derived from services, three-fourths of our workers are employed in services, and private service exports generated a **$59 billion** trade surplus in **1991**, compared with a **$73 billion** merchandise trade deficit, according to the Wall Street Journal (4/21/93 p. 1). The government must improve services statistics, so that rational public policies can be formulated. Many economists believe that the U.S. so undercounts services that we may not even have a trade deficit at all!

The government must also improve coordination among Federal agencies, state and local government, and the private sector. The law rechartering Eximbank gives us an opportunity to forge such cooperation. It requires the formation of a Trade Promotion Coordinating Committee (an interagency entity comprised of eighteen agencies), to formulate a National Export Development Plan. For the first time, we can establish clear national priorities and hold all agencies accountable to these goals. To make such an approach work we need to develop an integrated export expansion budget tied to the achievement of the national goals. Management oversight by the White House would also help ensure a better level of coordination.

The U.S. Chamber is working with the TPCC to develop such a plan. We welcome a chance to work with this subcommittee and other interested parties in drafting this strategy.

One mechanism worth exploring would be for the government to partner with large corporations that are already major players in the global economy—such as IBM, American Express, AT&T, and Federal Express—and to identify ways that they can assist small and midsized companies in going global. Another vehicle would be to expand second-tier exporting by leveraging relationships and providing training and mentoring between big business exporters and their small and midsized business suppliers.

A high priority should be placed on the utilization of business organizations such as NAWBO, the U.S. Chamber of Commerce, and trade associations to assist with the challenges of expanding world trade.

We could adapt the international "market development cooperator" programs which are being piloted at Commerce to the needs of the small and midsized business sectors, using trade associations and business organizations as intermediaries. By training their members in how to go global, and assisting them in doing so, associations could play a major role in catalyzing America's economic resurgence.

Let's look at several organizations in which a market development cooperator program might work successfully.

The National Association of Women Business Owners represents the interests of more than 6 million women business owners in the United States--a constituency which, by the way, employs more people than all the Fortune 500 companies combined. We have 5,000 members, fully 37 percent of whom are currently involved with international trade, or expect to be soon. This percentage--unusually high for a small business organization--is a direct result of strategy, intentionality and international access. Since 1984, NAWBO has been affiliated with *Les Femmes Chefs d'Entreprises Mondiales*, known as FCEM, or the World Association of Women Entrepreneurs. NAWBO's affiliation with FCEM is supported financially by IBM Corporation. Since affiliating with FCEM, NAWBO has conducted trade missions to London, Frankfurt, Madrid, Tokyo, Osaka, Costa Rica and Guatemala; business exchanges to Malaysia, Russia, Estonia and Canada; hosted numerous reverse trade missions and exchanges; and hosted an FCEM World Congress. We began offering international programming at all our national meetings in the mid 80s, and encouraged our 50 chapters to have an international chair. The Capital Area Chapter of NAWBO, for example, sponsors a monthly international breakfast, as well as frequent embassy receptions and international networking events focused on particular countries or regions of the world. The chapter has a large International Committee with chairs for each region, as well as chairs for numerous countries.

National NAWBO is about to go on-line with an E-mail system, and one module will focus on international trade. Numerous contacts and resources from our Capital Area Chapter can be shared with NAWBO chapters and members around the country. In addition, AIDDA, our Italian counterpart in FCEM, will also be going on-line in the next few months. We are actively exploring how we can use electronic mail to link our two associations for purposes of international business. After the U.S.-Italian pilot, we hope to link all countries in FCEM via E-mail in order to expand trade opportunities through technology.

The Chamber of Commerce provides another model for a potential market development cooperator program that could assist small and midsized businesses in going global–leveraging its incomparable network of 2,600 local and state chambers, its 1,200 trade association members, 10 bilateral international business councils, 66 American Chambers of Commerce around the world, and its impressive communications network.

And finally, by establishing market development cooperator relationships with associations and business organizations representing immigrants and minority-owned firms, we could build on our rich, multicultural traditions as the world's preeminent melting pot to vastly expand international trade with the countries of Asia, Latin America, Africa, Eastern Europe and the former Soviet Union.

This concludes my prepared remarks. Many thanks, Mr. Chairman, for the opportunity to testify on this important issue.

TESTIMONY

OF

SUZANNE M. COLE
VICE PRESIDENT
ANALYTIC AND BIOLOGICAL LABORATORIES, INC.
FARMINGTON HILLS, MICHIGAN

BEFORE THE

SUBCOMMITTEE ON THE DEVELOPMENT OF RURAL ENTERPRISES, EXPORTS, AND THE ENVIRONMENT

OF THE

COMMITTEE ON SMALL BUSINESS

TUESDAY, APRIL 27, 1993

Good Morning, my name is Suzanne M. Cole, I am currently Vice President of Analytic and Biological Laboratories. I would like to express my appreciation to the Chairman (of the Subcommittee on the Development of Rural Enterprises, Exports, and the Environment of the Committee on Small Business), and all of the committee members for inviting me to testify today.

I want to emphasize that the promotion of small business is one of the most important issues for Congress and President Clinton to address. As global competitive pressures increase large businesses are becoming small businesses. We as a country have too often ignored this very important segment of the economy which has created and will create the majority of new employment and new investment in the United States. Unlike ever before in American history, small businesses are emerging as the apex of new development and hope for many of America's workers.

Analytic and Biological Laboratories (A&B) is a full service laboratory which has been involved in every aspect of analytic and biological testing for 36 years. We employ 50 people at our 21,500 square foot, state of the art facility in Farmington Hills, Michigan. A&B's largest growth sector is environmental; thus, we provide numerous environmental services. The sector we have identified as providing the most growth potential is environmental services exporting.

Small businesses like A & B will play a key role in expanding our current economy. Over 75 percent of new employment in this country will take place because of small businesses. The small business of today is a lean operation which has created a track record of performance while minimizing costs. These businesses are more responsive to changing market conditions. For example look at the changes which have occurred in the last ten years, soon Microsoft will be worth more than IBM. Small businesses have often provided the leadership for change and in many cases have been the leaders in development of new technology.

Small businesses are leading the charge to develop new markets, create new industries and expand the potential for new products well into the next century.

The role of exports is also important to the State of Michigan. Nationally, Michigan ranks 4th in value of manufactured exports, just behind California, Texas, and Ohio. Employment related to manufactured exports in Michigan is 8% higher than the national average, at 57.9 percent. In both Business Services and Transportation, Commerce and Utilities are 1% higher than the national average. Only in the trade sector of Michigan industry is employment less than the national average for manufacturing exports. Employment is also expanding in export related employment; from 1984 through 1987 there was a net increase of 38,100 jobs directly resulting from exporting. Approximately 27%

of Michigan Manufacturers export some products, which in numerical terms is 5,003 companies which are involved in exporting.

The small exporter is fundamentally different from the large exporter. Many large corporations dedicate several employees on a full time basis to handle every aspect of exporting. Shipping problems, border delays, legal hurdles to exporting as well as developing a country by country marketing program are all within the reach of a large exporter. Small companies often have one person who performs all of these functions, and often times have operational oversight responsibilities. I am an example of this type of individual. Small companies often do not have the manpower or financial flexibility necessary to manage each of these specialized functions. As I indicated earlier, in order for small companies to compete they must be lean and have the flexibility to react to sudden market changes.

President Clinton outlined a major initiative in his Technology plan entitled the "Clean Car Initiative". He indicated that $1 billion will be dedicated for cooperative funding to encourage federal agencies such as DOE and National laboratories (ie. Argonne and Sandia) to work in concert with the Detroit automakers to develop and refine clean car technology. Detroit is pushing CRADAs (cooperative research and development agreements) almost as

hard as President Clinton. The auto industry's companies no longer have the resources that General Motors once had in the 1970's to do things individually. The automakers are now working together in a consortium in hopes to develop technology that they can share. USCAR, the consortium of G.M., Ford and Chrysler (founded in 1992 in Detroit) is accelerating joint research projects into state-of-the-art technologies in hope that Detroit will eventually gain an edge on Japanese rivals. Within the consortium the phrase "precompetitive" is used to explain efforts for projects that are too exploratory to pose an immediate threat to each other.

Even in an area where extensive investment in research and development is needed, small businesses inevitably emerge ahead of the others. The big three are worried that if they don't firm up their electric car programs by the end of 1993, they won't be able to make the 1988 deadline to begin phasing in zero emission vehicles (ZEVs) in California and other Northeastern states who have adopted the California regulations. However, in the meantime two small businesses, Solar Car Corporation, Melbourne, Fl and Electric Vehicles of America, Maynard, MA have already developed vehicles which will comply with Clean Air laws. Public utilities who want to replace their fleets with clean car vehicles found the small companies' vehicles to be more cost effective and accessible than those from large Detroit automakers. The companies are interested in the possible exporting of these

vehicles to areas which are severely burdened with contamination such as Mexico City. Both of these companies applied for federal assistance when they first began and both were turned down. They resorted to alternative funding sources.

I ask you, isn't there something wrong with this equation? When a billion dollars is set aside for large companies to to compete more effectively, in the advent of looming competition, and small businesses are turned away for significantly smaller sums of assistance? I say to you, reform of the lending system has to occur, if it doesn't and funding is not made more available, small businesses who could be contributing to the tax base of our country will turn to alternative funding mechanisms such as the Japanese. I hope that Senator Riegle will take this into consideration when he is examining lender reform.

I participated in the Small Business Administration's recent Trade Mission to Mexico from August 31 to September 4, 1992. The trade mission had participants from throughout the United States and included companies which provided computer software and services, computer hardware and peripherals; telecommunications equipment and software, environmental and pollution control equipment; process controls; food processing and packaging; agricultural machinery and equipment; transportation equipment; and automotive parts and service equipment.

The mission visited Guadalajara, Monterrey and Matamoros Mexico. I was very impressed by Mrs. Kathy Parker and the work that she and SBA did in preparing participants for the mission. She assisted us by providing market analysis data, geographical, economic and governmental information. She worked extremely well in cooperation with the foreign service to provide qualified business leads to each of the participants. Something which small businesses would not have the time or financial backing to accomplish. Mrs. Parker organized briefings on the direction of local development, and investment in local infrastructure, which included roads, manufacturing and business development. She went the extra mile to meet the needs of each participant. Without the assistance of an entity like the SBA, small businesses would never have the opportunity to identify, much less meet one on one with qualified candidates. It has been my experience that the SBA understands the needs of small businesses and is thus much more responsive to their particular needs than other government agencies.

I had an opportunity to participate in a trade mission to Mexico City sponsored by the Michigan Department of Commerce. The Governor of Michigan was leading a delegation of black bean producers, auto parts suppliers and a few environmental companies to Mexico City. The manner in which the mission was structured catered more to medium and large sized companies. Three fee structures were established and were based upon the Mexican government officials you would be invited to meet

with. In order to be included in the reception with President Salinas, Secretary Serra and Governor Engler, one would have to pay $2500.00. The other two receptions were organized with consulate officials and business executives and were assigned lesser fees with the lowest being $1500.00. It is very difficult to justify $2500.00 in combination with air fare, accommodation expenses, food and other transportation, not to mention the cost of preparing for the trip. Even the $1500 fee (the lowest charged) was not justifiable as business appointments were not scheduled as they had been during the SBA mission and only one city would be visited. The Department of Commerce left most if not all of the identification of business contacts and scheduling of meetings up to the participants. Large and medium sized companies who have the staff to perform these duties would not be concerned. However, small companies such as A&B would be at a disadvantage and could not optimize it's investment. I elected not to participate in the mission as I did not believe I would have the opportunities that were presented to me during the SBA mission.

The Federal Government can play a vital role in assisting small businesses by promoting exports.
First, they can identify markets for American Products. If the government can provide accurate and current information on small and large companies in targeted export areas which identifies up to date market opportunities we can expand the export market exponentially.

The second role the government can perform is to expand their efforts to promote trade missions to a variety of countries. The SBA's responsiveness in providing small businesses the opportunity to visit Mexico, before any other government agency, indicates to me, the responsiveness and ability of the SBA to meet the needs of small business.
However, there is a need for greater outreach to America's small businesses. Many small companies don't understand the opportunities exporting provides them. Many don't know about the assistance the SBA can provide them with. I believe more funds should be allocated to the communication of services available and an expanded effort to reach small businesses with this information.

Creating a good environment for exporters is one way government can indeed please the business community. And you could not select a better time to export. From continent to continent and hemisphere to hemisphere, liberty is on the march. Everywhere, free market economies are emerging, creating new opportunities for world peace and prosperity. Along with this opportunity comes many challenges. Battles today are not between armies. They are between the economic interests of countries. In this competition, commerce is America's front line for a winning economic strategy. However if the U.S. government does not take a pro-active stance toward helping small businesses financially, other

countries such as Japan will completely monopolize the environmental marketplace.

Trade and aid have always been interconnected. Often, foreign aid has been used to open new national markets. The U.S. required European recipients of Marshall Plan assistance in the 1940's to purchase Canadian or American grain, effectively changing European trading patterns and bolstering U.S. agricultural exports.
The Japanese, now the largest providers of Overseas Development Assistance (ODA) provide up to $4 billion a year in credits to purchase pollution control equipment manufactured in Japan. This goes a long way to explain Japan's increasing dominance in supplying this equipment at the expense of the U.S. pollution control manufacturers who incidentally, receive little assistance or encouragement from the U.S. government.

The rules and regulations of the federal government are stifling small business access to capitol. Without access to capitol, businesses cannot grow and the percentage of small businesses exporting goods or services will not increase. Lending practices have to become more lenient in order for small businesses who need the funding to have access to it. Start up companies in particular have no where to turn if they want to export. Small businesses who have been in operation for 1 to 3 years, who produce excellent

products or provide technical services find that securing funding is extremely difficult.
If the U.S. government and SBA does not take the lead in making funding more available to these businesses, they will go elsewhere to find the needed funding. Some of Japan's Largest import/export trading companies are beginning to target and solicit small businesses who need funding. The Japanese are always interested in niche markets such as environmental exports. The Japanese recognize that small businesses are the back bone of America, not big business, and they provide ample opportunities.

In 1992 the U.S. was the largest and most productive economy in the world. We Are 5% of the world's people producing 25% of the goods and services. Yet we have much room for growth. Every billion dollars in exports creates over 19,000 jobs. But only one in three American companies that could export actually does so. Merchandise exports account for 7.4% of our GDP, compared to an average of 19% among our major trading partners. Expanding our exports to old markets and locating new markets will keep the United States a winner in the global economic competition while creating jobs and prosperity at home.

An important first step for American companies is to break down obstacles to trade and investment. Many of these

obstacles are: conflicting laws and regulations, ill-defined property rights, overlapping government jurisdictions, unstable financial and legal systems. The exporter needs fully convertible currency, modernized infrastructure, including transportation and communications systems, as well as enforcement of environmental laws.

In 1993, U.S. companies are beginning to ignite a hidden boom in services exports. This boom not only enriches the companies but also creates several high-paying jobs in the U.S.. Service jobs traditionally provide fewer jobs than manufacturing exports would bring. Suppliers of services include giants such as McDonald's and Walt Disney Co. but also includes thousands of small businesses who derive a substantial amount of their annual revenue from exporting. These companies are exporting information, know-how, creativity and technology, elements the rest of the world yearns for. Information is as much a product as an automobile; however not many people view services in this light.

Opportunities arise for companies such as A&B because of the company's long time involvement with the very problems other countries are confronted with and are just beginning to react to. U.S. environmental regulations made it possible for a giant waste handling and hauling industry to form. An industry which is primitive and almost nonexistent in other parts of the world. A&B laboratories is about to embark upon

the same type of opportunity in Mexico. As side agreements to NAFTA are debated and environmental enforcement gears up in Mexico, Mexican firms as well as U.S. based multinationals will be looking to companies such as A&B to serve their needs. We have the expertise and experience to know how to solve many environmental problems. Testing will be needed to conclusively identify contaminants and extent of contamination. We are very optimistic about the opportunities exporting to Mexico provides us.

Although not surprisingly, Michigan has a higher percent of employment related to manufacturing than does the U.S. as a whole. This is primarily due to the influence of the auto industry in the state's manufacturing sector. Michigan's share of the total U.S. value of export shipments is greater than 10% for transportation equipment, furniture, petroleum, and fabricated metal products.

Motor vehicles lead with a 15% share of the U.S. total. Over one-half of Michigan's exports to Mexico are automotive parts. This points out the growing number of auto suppliers locating in Mexico. Auto suppliers with facilities in Mexico bring in components from which they produce sub-assemblies (especially the highly labor intensive operations like wire harnesses) and then ship the sub-assemblies back into the U.S..

The third role that the government can perform is to expand their technical assistance programs for small businesses. Many small businesses do not have the manpower or resources

to enter the export market. Small businesses can receive a tremendous boost by receiving assistance for marketing, market identification and legal and technical exporting information.

Fourth, the government can expand loan assistance to small businesses who want to enter the export market. The start up capital which is needed can be a key factor to many small businesses who want to export but are lacking financial resources. Companies who have been successful for many years but have experienced difficulty in certain geographies due to intense competition also need assistance to export.

Increased funding to small businesses will open up trade and export market to many entrepreneurs. Increased funding and attention to small businesses could boost the U.S. economy significantly. Many small businesses in this country are struggling and fighting to compete in mature markets, the export market offers these companies new opportunities, new markets which are just beginning.

Five hundred years ago, Christopher Columbus sailed to the New World. In 1993, we face another new world. Exciting, complex, challenging. It is a world of democracy and free markets shaped by technology and commerce. A world of great hope for business people and for all Americans. Let us set sail together toward this promising future.

For more information, please contact Suzanne Cole at: (313) 686-1105.

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on the Development of Rural Enterprise, Exports, and the Environment, Committee on Small Business, House of Representatives

For Release on Delivery
Expected at
1:00 p.m., EDT
Wednesday,
April 28, 1993

EXPORT PROMOTION

Improving Small Businesses' Access to Federal Programs

Statement of Allan I. Mendelowitz, Director
International Trade, Finance, and Competitiveness Issues
General Government Division

GAO/T-GGD-93-22

EXPORT PROMOTION: IMPROVING SMALL BUSINESSES' ACCESS TO FEDERAL PROGRAMS

SUMMARY OF STATEMENT BY ALLAN I. MENDELOWITZ, DIRECTOR
INTERNATIONAL TRADE, FINANCE, AND COMPETITIVENESS ISSUES
GENERAL GOVERNMENT DIVISION

GAO's testimony addresses the need for a governmentwide export promotion strategy and discusses funding for federal export promotion programs, the delivery of export promotion services, the Export Enhancement Act of 1992, the status of federal efforts to help small businesses export, and ways in which small companies' access to these programs might be improved. The testimony focuses on the role the Small Business Administration (SBA) plays in these efforts.

The U.S. government devotes significant funds to export promotion programs. However, the programs are not funded on the basis of any governmentwide strategy or set of priorities. Consequently, taxpayers do not have reasonable assurances that their money is being effectively used to emphasize sectors or programs with the highest potential return.

The Export Enhancement Act of 1992 (P.L. 102-429) incorporated GAO's recommendations for mandating the Trade Promotion Coordinating Committee (TPCC), an interagency group created to improve federal export promotion efforts, to (1) devise a governmentwide strategic plan to promote exports and (2) propose to the President an annual unified federal budget for export promotion that would be consistent with priorities established in the strategic plan. However, there has not been sufficient time for TPCC to implement its new mandate.

Small- and medium-sized firms face barriers to exporting, including limited access to federal export promotion programs. The Small Business Administration provides a wide range of export promotion services, including export counseling and export finance assistance, but devotes few funds and staff to export promotion. SBA's export promotion programs suffer from significant program weaknesses. SBA's export counseling is unfocused, and SBA has not widely used its principal export finance program. In addition, management responsibility for SBA's export promotion programs is split between several different offices.

In a previous report, GAO proposed a "one-stop shop" pilot program for partially integrating the delivery in the field of federal export promotion programs--including SBA's export promotion programs. The one-stop shops would be able to provide at a single location the full range of export promotion assistance. Such a program would be especially beneficial to small- and medium-sized firms.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here to testify before this Subcommittee on the federal government's export promotion programs. My testimony is based primarily on GAO reports and testimony issued in the past year. Today, I will discuss the lack of coherent funding for federal export promotion programs, the need for a governmentwide export promotion strategy, and the importance of the Export Enhancement Act of 1992. I also will discuss the status of federal efforts to help small businesses export, focusing on the role the Small Business Administration (SBA) plays in these efforts, and present ways in which small companies' access to these programs might be improved.

BACKGROUND

Programs to help companies sell products abroad are called "export promotion" programs. These programs include providing export financing assistance, offering business counseling, developing and distributing market research information, conducting training, and organizing trade missions and fairs. Most industrialized nations have export promotion programs.

Export promotion programs can help increase a country's exports in sectors of the economy in which the country is competitive. However, export promotion programs alone will not produce a

substantial change in a country's balance of trade. The trade balance is determined primarily by the macroeconomic policies of a country (and its trading partners) and the underlying competitiveness of the country's industries.

Currently, the U.S. government's export promotion services are fragmented among 10 agencies. The agencies with the most significant programs are the Departments of Agriculture (USDA) and Commerce, and the U.S. Export-Import Bank (Eximbank).

U.S. EXPORT PROMOTION PROGRAMS LACK COHERENT FUNDING

One of our major concerns about federal export promotion programs is how their funding levels are determined. Although the U.S. government devotes significant funds to export promotion programs, we believe the programs are not funded on the basis of any governmentwide strategy or set of priorities. Consequently, taxpayers do not have reasonable assurance that their money is being effectively used to emphasize sectors or programs with the highest potential returns.

In January 1992, we reported that in fiscal year 1991,[1] federal government spending for export promotion programs totaled almost $2.7 billion. In addition, the government approved about $12.8

---

[1]Export Promotion: Federal Programs Lack Organizational and Funding Cohesiveness (GAO/NSIAD-92-49, Jan. 10, 1992).

billion in export loans and guarantees and extended about $8.6 billion in export credit insurance. Commerce, USDA, and Eximbank together accounted for about $2.5 billion of the spending and about $16.9 billion of the export financing assistance.

One consequence of the lack of a governmentwide strategy has been that most of the money available for export promotion has gone to USDA, even though agricultural products account for only about 10 percent of total U.S. exports. In fiscal year 1991, USDA spent about $2 billion on export promotion--about 74 percent of total spending--and issued about $5.7 billion in loans and guarantees--approximately 45 percent of total export loans and guarantees.

One USDA program alone, the Market Promotion Program (MPP), received more funds in fiscal year 1991 ($200 million) than was spent by the Commerce Department on all its export promotion programs put together in that year. From fiscal year 1986 through fiscal year 1993, over $1.25 billion has been authorized for MPP and its predecessor, the Targeted Export Assistance program. Moreover, about 40 percent of the money spent by MPP goes to promote brand-name products, some of which are produced by multinational companies with extensive experience doing business in other countries. Companies receiving MPP funds to promote their products overseas from 1989 to 1991 included Blue Diamond, which obtained $22.7 million to promote the sale of walnuts and almonds; Sunsweet Growers, which got $10.5 million to

promote the sale of prunes; Gallo, which received $8.1 million to promote the sale of wine; and McDonald's, which got $1.2 million to promote the sale of poultry and eggs. The administration has requested $147.7 million for MPP for fiscal year 1994, the same amount as was authorized for fiscal year 1993.

In contrast to USDA's spending on export promotion, the Department of Commerce, the lead agency for promoting nonagricultural exports, has very limited funds. In fiscal year 1991, Commerce spent about $91 million to support exports of nonagricultural products through its U.S. and Foreign Commercial Service (US&FCS). The money was spread among US&FCS's network of 131 posts in 67 countries and 47 domestic offices. In fiscal year 1991, US&FCS was able to devote only about $4.3 million to support the work of its overseas commercial staff in Japan, one of the U.S.' most important foreign markets. USDA budgeted $63.9 million for its fiscal year 1991 MPP activities in Japan.

GOVERNMENTWIDE EXPORT PROMOTION STRATEGY IS LACKING

One of the reasons why there is no coherent funding for export promotion programs is because no single budget category exists to cover all of the government's export promotion programs. Thus, export promotion funding at an agency must compete for funding with other types of programs in the agency rather than with export promotion programs elsewhere in the government. For

example, the USDA's export promotion programs compete for funding with other USDA programs, such as the Rural Electrification Administration and the Extension Service, rather than with the Commerce Department's export promotion programs.

In an effort to try to unify and streamline federal export promotion programs, the Bush administration created the Trade Promotion Coordinating Committee (TPCC) in 1990.[2] TPCC, an interagency committee chaired by the Secretary of Commerce, has established working groups to study specific export issues, held export facilitation conferences for the U.S. business community, and created a single trade information center to provide information on all federal assistance available to exporters. While TPCC has had some success in improving coordination among different agencies' export promotion programs, it has not been able to address the fundamental issue of the allocation of budgetary support for different agencies' export promotion programs.

---

[2]TPCC is made up of representatives from the Departments of Agriculture, Commerce, Defense, Energy, Interior, Labor, State, Transportation, and the Treasury; the Agency for International Development (AID); the Council of Economic Advisers; the Environmental Protection Agency; the Eximbank; the Office of Management and Budget; the Office of the U.S. Trade Representative; the Overseas Private Investment Corporation; SBA; the U.S. Information Agency; and the U.S. Trade and Development Agency.

THE EXPORT ENHANCEMENT ACT OF 1992

The Export Enhancement Act of 1992 (P.L. 102-429) incorporated our recommendations for requiring TPCC to (1) devise a governmentwide strategic plan to promote exports and (2) propose to the President an annual unified federal budget for export promotion that would be consistent with priorities established in the strategic plan. The Act also gave TPCC statutory responsibility for coordinating export promotion programs. In other words, the Export Enhancement Act provided a statutory basis for TPCC and made it permanent.

As we have previously testified,[3] we believe that successful implementation of this new authority will be the key to defining a stronger, more effective federal role in assisting U.S. exporters. Therefore, we believe that the administration needs to develop a sound strategy and policies for carrying out this responsibility.

Because the Export Enhancement Act did not become effective until October 1992, and because of the change in administrations, there has not been sufficient opportunity for TPCC to implement its new mandate. However, we believe the new administration will need to

---

[3]Export Promotion: Governmentwide Strategy Needed for Federal Programs (GAO/T-GGD-93-7, Mar. 15, 1993).

give priority attention to the Export Enhancement Act of 1992: It requires the TPCC's Chairman to prepare and submit to Congress by September 30, 1993, a report describing the TPCC's strategic plan and its implementation. Therefore, TPCC has only a little over 5 months in which to complete this challenging task.

I would now like to discuss some of the federal programs available to help small- and medium-sized companies export, some of the problems these companies face in accessing these programs, and some possible actions to improve this access.

EXPORT PROMOTION AND SMALL BUSINESSES

There is evidence that a large number of smaller companies have products that are competitive in foreign markets, yet these products are not currently exported. The three primary federal agencies that small companies might approach for export assistance are SBA, US&FCS, and Eximbank. However, the delivery of federal export promotion programs in the field is fragmented, limiting small companies' access to these programs. Moreover, we found that SBA's programs suffer from significant weaknesses.

SBA's Export Promotion Programs

As we reported in September 1992,[4] SBA devotes little money to export promotion relative both to governmentwide spending on export promotion and to the SBA's own budget. As previously noted, in fiscal year 1991, the federal government spent about $2.7 billion on export promotion. In that same year, SBA spent about $3.7 million on export promotion out of a total budget of $486 million. About $1.5 million of this amount went to fund the activities of the agency's Office of International Trade, the office responsible for managing the agency's export promotion activities.

Despite this relatively small amount of money, the scope of the SBA's export promotion efforts is broad and includes counseling, training, export financing assistance, and outreach. In our study, we reported that SBA delivers its export promotion assistance through a large network, consisting primarily of 10 regional and 68 district offices and about 700 Small Business Development Center (SBDC) locations.[5] SBDCs deliver about 70

---

[4]Export Promotion: Problems in the Small Business Administration's Programs (GAO/GGD-92-77, Sept. 2, 1992).

[5]SBDCs receive funding from both federal and nonfederal sources and operate on the basis of annual cooperative agreements with SBA. Under the SBDC program, about 57 centers and about 650 subcenters, operating in 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands, deliver a wide variety of services to small businesses, including export assistance.

percent of SBA's export-related counseling and training. We determined that, in 1991, 21 SBDC subcenters specialized in providing international trade assistance. These 21 subcenters received about $1.2 million of SBA funds in fiscal year 1991. SBA also provides some export assistance through its Service Corps of Retired Executives, Small Business Institute, and Export Legal Assistance Network programs.

In fiscal year 1991, SBA issued about $123 million in loans and credit guarantees to exporters out of about $4.3 billion in small business loans and credit guarantees. The SBA's principal export finance program is the Export Revolving Line of Credit (ERLC) program. Under ERLC, SBA guarantees repayment of loans made by financial institutions to small businesses for export-related purposes, such as financing working capital needed to manufacture products for export, or to purchase goods or services for export.

Weaknesses in the SBA's Programs

In our September 1992 report, we found that the SBA's export counseling and export finance programs have significant program weaknesses. Export counseling conducted by SBDCs is unfocused. Most of the 21 SBDC subcenters that specialize in providing international trade assistance do not target firms based on their level of exporting experience or capability.

Contributing to this problem is that SBA is restricted from providing guidance to the SBDCs. SBA's appropriation legislation imposes restrictions prohibiting SBA from setting any new regulations for the SBDC program.[6] We found that this restriction hinders the SBA's ability to establish such guidelines. A further problem arises as well in some cases in which SBDCs could be serving the same universe of clients as is targeted by the Commerce Department's export counseling efforts.

We also found that SBA has not widely used its ERLC program. Between fiscal years 1983 and 1990, SBA approved only 161 ERLC loan guarantees, worth about $45 million. We determined that the principal reasons for this low level of use included (1) insufficient training of SBA loan officers in the techniques of applying the program, (2) inadequate marketing of the program to bankers and the small business community, and (3) lack of interest in the program on the part of lenders due to the small average size of the loans and associated small likely profits. In fiscal year 1991, ERLC usage increased substantially. We believe this jump in program activity reflects efforts SBA made

---

[6]In the SBA's appropriating legislation for fiscal years 1990 through 1992, Congress mandated that "none of the funds appropriated or made available by this act to the Small Business Administration shall be used to adopt, implement, or enforce any rule or regulation with respect to the Small Business Development Center program...nor may any of such funds be used to impose any restrictions, conditions, or limitations on such program whether by standard operating procedure, audit guidelines or otherwise, unless such restrictions, conditions, or limitations were in effect on October 1, 1987."

to improve the program. Nevertheless, SBA has not fully implemented a pilot program to increase ERLC usage.

Additionally, we found that responsibility for managing the SBA's export promotion programs is split between a number of different operating units and program offices. As a result, SBA lacks a single focal point for managing its export promotion programs. The SBA's Office of International Trade, although ostensibly responsible for managing the export promotion function at the agency, acts primarily as an internal advocate for export promotion. It does not directly supervise any field staff, and it has no direct authority over field offices' export promotion efforts. These efforts include the SBDCs' export counseling and the export financing assistance provided by loan officers in SBA district offices. This split diffuses responsibility for managing and delivering the SBA's export promotion assistance. Finally, we determined that SBA had not clearly identified which export assistance needs of small businesses it can best meet, nor targeted its export assistance accordingly.

We concluded that, on the whole, these program weaknesses substantially limit the SBA's current ability to provide any export promotion services other than basic outreach and referral. Because SBA officials disagreed with this assessment, however, we suggested that Congress require SBA to (1) more fully identify which export-related needs of small businesses it can best

fulfill; and (2) work with the TPCC's small business working group to refocus, if necessary, its export promotion efforts. We also suggested that Congress consider requiring that any national strategic plan for export promotion clearly define what role SBA is to play. We believe the governmentwide strategic plan for export promotion that TPCC is currently developing provides an opportunity to clarify the SBA's role in this area.

DELIVERY OF EXPORT PROMOTION ASSISTANCE IS FRAGMENTED

We found that the delivery of federal export promotion programs in the field is fragmented, and we believe that small- and medium-sized businesses are being hurt by their inability to access such programs at one location.

While each of the three primary agencies that small businesses might approach for export assistance--US&FCS, Eximbank, and SBA--can offer some assistance, none have all the necessary elements to assist small businesses. US&FCS maintains the principal network of government field offices for export promotion assistance (67 offices in the United States). These offices specialize in providing export counseling, market research information, and other export promotion services. Yet the field offices have limited funds and staff to support their operations. Also, the Commerce Department has no export finance programs, and US&FCS field offices cannot approve use of other federal

agencies' export finance programs.

SBA has a large field structure and substantial funds devoted to other program areas, as well as authority to give export finance guarantees. Yet the SBA's export promotion efforts suffer from significant program weaknesses. Eximbank has staff expertise in export financing and provides the largest amount of federal export financing. Yet Eximbank has a small staff and a very limited field structure for marketing and delivering its programs.[7]

Because the system is so fragmented, firms needing export promotion assistance often must contact several different federal agencies to get the assistance they need. Contacting multiple offices can leave companies confused as to what services are available, and may discourage some firms from seeking government help to export.

One-Stop Shops for Export Promotion Assistance

In recent years, the idea of creating a field network of "one-stop shops" for all government export assistance programs has

---

[7]Eximbank has recently taken over operations of five regional offices that were formerly administered by a contractor to market the Eximbank's export credit insurance program. Eximbank plans to use the offices to market all of its programs--loans, guarantees, and insurance. For more information on Eximbank's export finance programs, see Export Finance: The Role of the U.S. Export-Import Bank (GAO/GGD-93-39, Dec. 23, 1992).

emerged as a way to integrate their delivery. In a December 1992 report,[8] we said that our past work suggests that in principle such a network would have several advantages over the current diffused arrangement.

A network of one-stop shops could be created by (1) co-locating federal, state, and local government field offices for export promotion under one roof; and (2) providing their staffs with the training and authority necessary to supply a full range of services to help companies consummate export sales. These services would include export counseling and training, market- and industry-specific information, and export financing assistance. Staff in each member organization would be trained to know what services the other provides and to ensure that each client receives the help he or she needs.

We believe that a network of one-stop shop field offices likely would improve companies' access to all government export promotion programs. Such a network would reduce to one the number of places companies would have to contact to receive the government export assistance they need. Also, these field offices could eliminate much of the public's confusion about what government services are available. Field office one-stop shops could more easily provide face-to-face assistance, more sustained

---

[8]See appendix I of Export Finance: The Role of the U.S. Export-Import Bank (GAO/GGD-93-39, Dec. 23, 1992).

counseling, and information based on knowledge of local business conditions. Moreover, companies might gain confidence in and thus more likely use government export promotion programs if the programs were supplied by a single, smoothly functioning local source.

Despite the potential benefits, creating a nationwide network of one-stop shop field offices faces obstacles. Executive branch agencies carefully guard their turf. Different agencies that provide export assistance can be expected to resist any major effort to integrate field operations. In addition, agency officials told us that substantial additional funds might be needed to relocate federal offices, or induce nonfederal government organizations to relocate. Money also would be needed to provide staff with the required training and support. Consequently, we believe that in today's tight budget environment more modest attempts may have to be made to improve small exporters' access to federal export financing and other export promotion programs.

A POSSIBLE PILOT PROGRAM

In our December 1992 report, we proposed a pilot program for partially integrating the delivery in the field of federal export financing and other export promotion programs. This pilot would test out the benefits of integrating all government export

67-723 O - 93 - 4

assistance. Such a pilot could easily integrate the delivery of current export assistance programs provided by US&FCS with those provided by SBA and Eximbank. In the pilot, a small number of loan officers from the SBA's district offices would be stationed at selected US&FCS district offices, so that the field staff of both agencies could jointly provide comprehensive export counseling and export financing assistance.

The selection of pilot sites should be left up to TPCC, SBA, and Commerce. However, based on interviews with Commerce and SBA field staff, we believe that cities that contain large numbers of small- and medium-sized export-capable firms probably should be chosen. Another consideration in picking pilot locations is that in 12 cities, US&FCS and SBA district offices are located in the same building. Including some of these sites in the pilot would minimize the costs of moving staff.

Selecting the right detailees will be crucial to the pilot's success. Having incentives that encourage well-qualified staff to participate in an interagency pilot is important. Often, employees in an agency have little incentive to volunteer to move out of sight of those who supervise and rate them, and the agency has little inducement to encourage them to go. Thus, to assure that well-qualified loan officers volunteer for this assignment, some type of incentive for attracting high-quality staff should be built into the selection procedures. Consideration should be

given to awarding detailees temporary promotions or pay increases.

Adequate training also is critical to the pilot's success. Currently, few of the 600 loan officers assigned to the SBA's 68 district offices are experienced in international finance or in using the SBA's ERLC program or the Eximbank's programs. Training should be sufficient to assure that detailees have the expertise to (1) properly use the SBA's export financing programs, (2) market the Eximbank's programs, and (3) provide at least basic assistance on trade finance matters. Ideally, the detailed loan officers should have enough expertise to help companies fill out applications for Eximbank programs or applications for bank export financing.

The results of the pilot should be formally assessed by TPCC, using a uniform methodology at each pilot site. The pilot's impact might be evaluated using a variety of methods, such as tracking financing provided for export sales or surveying clients.

- - - -

Mr. Chairman and Members of the Subcommittee, this concludes my prepared statement. I will be happy to answer any questions that you or the Subcommittee may have.

(280052)

18

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1000
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066.

Written Statement by Jonathan Menes
Acting Assistant Secretary for Trade Development
U.S. Department of Commerce
Before the House Subcommittee on the Development of
Rural Enterprises, Exports, and the Environment
Committee on Small Business

April 28, 1993

Good morning. I wish to thank you for the opportunity to testify regarding the status of the Trade Promotion Coordinating Committee and the effectiveness of Federal export assistance programs.

The complete coordination of trade promotion activities and development of respective policy is a major task. Title II of the Export Enhancement Act of 1992 (Public Law 102-429) establishes the TPCC under law and mandates the Secretary of Commerce to report to Congress on its duties and responsibilities, to streamline and unify the trade promotion activities and services of its member agencies. By virtue of encompassing all 19 Federal agencies responsible for international trade and export promotion, the TPCC is assigned this task.

My presentation will cover the following topics and address what the TPCC and its member agencies are doing to increase the effectiveness of Federal export assistance programs, including:

- **Efforts of the Trade Promotion Coordinating Committee to Fulfill Its Mandate;**
- **Effectiveness and Necessity of the Trade Information Center;**
- **Differences Between the Small and Large Business Exporter;**
- **New Statistical Capabilities Aiding TPCC Activities;**
- **Small Business Administration Role in the TPCC.**

Efforts of the Trade Promotion Coordinating Committee to Fulfill Its Mandate

The Export Enhancement Act of 1992 codified the TPCC. The TPCC is required to report to Congress on September 30, 1993, on a strategic plan for export promotion, including: 1) government priorities; 2) proposals for the elimination of duplicate or overlapping programs; 3) a unified budget proposal for more Federal trade promotion activities; and 4) proposals for more federal-state cooperation.

It is Secretary Brown's intent to use the TPCC to improve the overall quality of the Federal government's assistance to U.S. business in promoting exports. He intends to hold Cabinet-level meetings more regularly than had been held in the past to ensure high-level focus on export promotion. On March 31, he convened the first TPCC Cabinet-level meeting of the Clinton Administration. The focus of the meeting was to discuss possible initiatives to be undertaken so that the deadline for a strategic plan, as stipulated in the Act, can be met. The following are initiatives underway:

Intensive Focus Groups - Since the TPCC's purpose is to review and change the way government interacts with business to expand exports, working groups should examine each primary area of interaction including: 1) trade finance; 2) obstacles to export; and 3) information/counseling/marketing/advocacy. These working groups will review, among other issues, ways for government to assist small and minority-owned businesses in export promotion. In addition, three working groups will meet periodically on: the environment; U.S.-Asia Environmental Partnership; and small and minority businesses.

Deputies Group - At this meeting it was decided that a Deputies Group would be co-chaired by John Rollwagen, Deputy Secretary Designate of Commerce, and Ken Brody, Chairman Designate of the Export-Import Bank. The Deputies Group will commence work on setting the objectives for the TPCC and drafting the strategic plan, with strong input from the working groups. This objectives group will consult frequently with each working group to ensure coordination.

The following are initiatives under discussion:

- Expansion of the One-Stop-Shop Concept - The successful operation of the Trade Information Center (TIC) could be enhanced by assigning program experts from other major export assistance programs/agencies to the TIC. This would increase the TIC's "firepower", enabling it to function more as a one-stop information center in addition to being a referral point. Additionally, a pilot one-stop-shop could be instituted in at least one major U.S. location, which would combine local offices of Commerce with those of other TPCC agencies, such as the Small Business Administration.

- Export Financing - Exporter access to sources of financing, both Federal sources and private banks, needs improvement. First, the coordination of Federal agencies in the financing area (Eximbank, TDA, OPIC, AID, SBA) needs strengthening. Second, regulatory barriers need to be reviewed to encourage broader use of export financing by U.S. banks. Third, export financing should be included as a major component of outreach seminars and information centers in cities nationwide.

- Target Sector or Country Specific Exports - A process for identifying key geographic or sector targets for major export expansion needs to be developed. Subsequently, resources should focus on these targets.

- Export Impediments - The feasibility of easing regulatory impediments to exporting, such as and product standards and testing, needs to be reviewed. Easing regulations may require adjustments in Federal legislation. For example, a greater effort must be made with the European Community to adjust standards and testing requirements.

Effectiveness and Necessity for the Trade Information Center

The Trade Information Center is an access point within the U.S. Government for comprehensive counseling on programs available from 19 Federal agencies designed to assist U.S. businesses in exporting. The Center's staff of International Trade Specialists guides businesses through the export process and advises them on how to locate and use government programs, including those that provide:

- Export Counseling;
- International Market Research and Trade Leads;
- Overseas and Domestic Trade Events and Activities;
- Export Financing;
- Advice on Documentation and Licensing Requirements.

Center staff answers a wide variety of questions ranging from how to respond to an international order, to what the top foreign markets are for a particular product.

Callers can receive free reports and statistics from the computerized National Trade Data Bank (NTDB), which includes over 100,000 government documents related to export promotion and international markets. Through the Center's National Export Directory (NED), callers can also get information on export assistance programs and international contacts at the state and local level including chambers of commerce, Small Business Development Centers (SBDCs), trade associations, and international banks. Recently, the NED was placed on the National Trade Data Bank, the Economic Bulletin Board, and in Business America magazine.

Since opening in May 1991, the Trade Information Center has provided timely, accurate, "on-the-spot" counseling to over 85,000 businesses nationwide on its toll-free line, 1-800-USA-TRADE (1-800-872-8723). Approximately sixty percent of these calls are from small and medium-sized businesses. Currently, trade specialists provide information to over 1,100 callers per week, mostly new-to-export and new-to-market firms. About one-third of the calls the Center receives are from manufacturers, one-third from distributors or export trading companies, and the remainder from consultants, service providers, government or private sector export assistance organizations. Approximately two-thirds of the calls received by the Center are answered in-house. When necessary, callers are directed to specific contacts outside the office for in-depth counseling.

While the Center's primary goal is to provide expert advice and counseling to U.S. exporters, staff also promotes Federal export assistance programs and the Center's services. Center staff are regularly requested to give presentations on Federal export promotion programs to corporations, association meetings, universities, and inter-agency and departmental meetings. Staff also brief

embassy officials, foreign service officers, and official foreign visitors to the Center.

Positive feedback from the private sector is evidenced in the numerous newsletters, articles, and television and radio broadcasts that have been developed on the services the Center provides. Recently, the Center mailed quality assurance surveys to a random sampling of businesses who contacted the Center. Preliminary results indicate that customers are overwhelmingly satisfied with the quality of the information provided.

Center staff have developed a strong network of contacts with program managers within Commerce, other TPCC agencies, state and local development agencies, and directly with the U.S. business community. The Center is recognized at Commerce and other TPCC agencies as the "one-stop-shop" for export assistance provided by the U.S. Government, and many calls are directed to the Center from throughout the Federal system. Additionally, the Center is recognized by state and local governments as a comprehensive clearinghouse for information on a national scale.

Created to be a major program of the TPCC, the Center's "one-stop-shop" approach is an excellent vehicle for keeping abreast of the trade activities and programs of its member agencies, and collecting and disseminating this information for public use. Furthermore, the Center supports the goals and mandate of the TPCC in several ways:

- A major goal of the TPCC is to streamline and coordinate multiagency-sponsored seminars, exhibitions, and trade missions. To assist in this goal, the Trade Information Center maintains and updates a computerized calendar of U.S. Government-sponsored domestic and overseas trade events. The calendar appears on the Economic Bulletin Board for the use of its 19 member Federal agencies and the general public.

- The Center maintains a database of substantive callers which tracks all relevant business information (e.g., size of company, level of exporting, geographic area of interest, etc.) for purposes of client tracking and follow-up. Tailored caller reports have been sent to TPCC agencies such as the Department of Agriculture, Small Business Administration, and Trade and Development Agency, for their information and follow-up.

For example, USDA plans to use the information provided by the Center for outreach activities the Department is organizing, such as trade fairs and exhibitions.

Differences Between the Small and Large Business Exporter

In our view, the level of company experience, rather than size alone, is more of a determining factor of the type and extent of export assistance companies need. However, small exporting firms generally have more needs and requirements, compared to larger exporting firms, due to their more limited resources and experiences. Common problems faced by small business exporters include: 1) incomplete knowledge of overseas markets; 2) a lack of awareness of available export assistance and promotion programs; and 3) the necessity of relying more heavily on financing to transact business overseas.

Serious exporters, both small and large, require specific and up-to-date marketing information and research. However, small exporting businesses do not have the economic means and risk-taking capabilities that larger firms have to invest in marketing internationally. Lacking large international marketing

departments to turn to, small businesses are more likely to turn to Federal, state, and local information offices and programs as their link to the global market. They may use U.S. and Foreign Commercial Service district offices, the Trade Information Center, state business development agencies, local Small Business Development Centers, Commerce Department trade promotion events, and other export assistance and promotion programs. Small businesses are likely to utilize export promotion missions, shows, and other promotion vehicles as a primary means of making contacts with prospective customers. On the other hand, many small businesses do enjoy a number of built-in advantages over large firms. Often, small businesses can locate and take advantage of international opportunities before their large competitors can act, since small firms are better equipped to concentrate on niche markets. In many cases, we have found that smaller firms possess much greater flexibility in dealing with their customers and can more easily customize orders to suit individual client needs.

As we have seen over the past number of years, small business exports fuel the engine of growth for our economy. Therefore, it is important for the Federal

government to continue to provide export assistance that is easily available to U.S. firms willing to sell their products overseas.

New Statistical Capabilities Aid TPCC Activities

The ongoing efforts of the TPCC and its member agencies to boost the effectiveness of federal trade promotion programs are being supported by powerful new statistical tools recently developed at the Department of Commerce. As this Committee is aware, federal, state and local export promotion efforts, as well as private sector providers of export service, have long been handicapped by the absence of critical information to guide resource allocation, program design, and targeting of firms most likely to benefit from export promotion services. We have lacked the most basic data on the U.S. exporting community.

For example, we have, until recently, never had reliable figures on the number and size of exporters, the distribution of exporters by industry, the geographic distribution of exporters by state and metropolitan area, or the shares of U.S.

exports attributable to small, medium-sized or large companies. I am happy to report that we have made major progress in overcoming these information deficiencies. The Commerce Department recently developed the capability, known as the Exporter Data Base, which is the result of a pioneering research project carried out by the Census Bureau in cooperation with the International Trade Administration.

The project was launched pursuant to Section 5406 of the Trade and Competitiveness Act of 1988 and involved the unprecedented use of millions of shipping documents to identify exporters among the millions of businesses contained in the Census Bureau's databases. As a result, we now have first-time "benchmark" statistics on exporters in 1987, the year of the last economic census. An updated Exporter Data Base, covering 1992, is being developed in conjunction with the 1992 economic census.

Findings from the EDB dramatically illustrate the importance of small business to U.S. exports. For the first time, we can make statements like the following:

- 104,564 U.S. firms exported domestically produced merchandise in 1987. These firms constituted nearly 7 percent of all U.S. companies classified as manufacturers or intermediaries (wholesalers, retailers, brokers, etc.).

- 87 percent of all exporting companies were small, employing fewer than 100 workers. Sixty-three percent of all exporters were very small companies that employed fewer than 20 people.

- Small companies were responsible for 20 percent, or $48 billion, of U.S. exports of domestic merchandise. This total exceeded exports by medium-sized firms (100-499 employees), which shipped $21 billion of products.

- Of course, large firms dominated U.S. exports. Large companies (500 or more workers) comprised only 3.6 percent of exporting firms in 1987, but were responsible for 71 percent of U.S. exports.

- Surprisingly, nearly two-thirds of all exporting companies were intermediaries, not manufacturers. Intermediaries accounted for a little over one-third of all merchandise exports.

- Intermediaries play a key role in U.S. exports, and the vast majority of these exporters--about 95 percent in 1987--are small.

- 10 percent of small U.S. manufacturing companies exported in 1987. Moreover, nearly 1 out of 5 employees of small manufacturers worked for firms that exported.

- Small companies constituted 73 percent of all manufacturing firms that exported in 1987.

One consequence of the EDB project is that we now have summary information on where exporters are concentrated in the United States. This kind of information is invaluable for export promotion planning and should lead to much more efficient allocation of resources.

For example, in the state of Texas there were 7,732 factories and other business establishments that exported in 1987. About 2,100 were manufacturing establishments; the rest were wholesalers and other intermediaries.

Moreover, we can now track exports from metro areas and zip codes -- and do so on a very current basis. For instance, exports in 1991 from key zip codes in the Chairman's district (zips 762, 763, 791, and 794) totaled $324 million, of which $190 million were manufactured goods.

The bottom line is that the United States now possesses a foreign trade statistical system unmatched by our foreign competitors which can provide a much-needed navigation system for export promotion. Efforts to utilize and disseminate the new data are in the start-up phase; we expect that TPCC member agencies will make increased use of the information in months ahead. The end-results should be more effective delivery of export services to small business -- the companies most in need of export assistance.

Small Business Administration Role in the TPCC

Since the TPCC's inception in 1990, the Committee has always looked to the Small Business Administration as a major link to the U.S. small business community. SBA has played a key role in the past TPCC working groups and will continue to participate in future working groups to explore program improvements and discuss export impediments. Last year, SBA and the International Trade Administration signed a Memorandum of Understanding which clarifies the export, outreach and development efforts of each. (Tab 4)

Some of the major points of the agreement include the following:

- SBA is concentrating its efforts on business development, pre-export counseling, and on export financing programs.

- ITA is concentrating its efforts on counseling export-ready, new-to-market, and infrequent exporters, assisting these firms in the development of export strategies and export facilitation services.

Together, SBA and ITA will increase the amount of export finance information and will, in all possible ways, assist small businesses to obtain access to Federal (e.g., SBA, EXIMBANK, AID, USDA and OPIC), state and local finance programs.

Currently under discussion is the expansion of the "one-stop-shop" concept that is successfully underway at Commerce's Trade Information Center. A pilot program is being discussed to combine components of SBA field offices and the U.S. and Foreign Commercial Services district offices in a key U.S. city. The pilot "grass roots" information office would advise businesses on export promotion information and activities, as well as on trade finance.

Conclusion

Secretary Brown is committed to making the Trade Promotion Coordinating Committee a strong force in coordinating, streamlining, and developing the diverse resources of its 19 member agencies. The role of agencies like the Small Business Administration, and other TPCC programs including Trade Information Center, have made a significant contribution in ensuring continued interagency communication and cooperation. The exchange of information between agencies will help to increase the number and effectiveness of Federal export assistance programs well into the future. Ultimately, it is our every intention to strengthen our ties to the business community, so that American firms everywhere will develop and increase their exporting capabilities.

Mr. Chairman, Mr. Vice-Chairman, and members of the Committee, thank you for the opportunity to testify today.

TESTIMONY OF CHARLES FORD, DEPUTY ASSISTANT SECRETARY FOR INTERNATIONAL OPERATIONS, U.S. DEPARTMENT OF COMMERCE

Testimony before the Subcommittee on the
Development of Rural Enterprises,
Exports and the Environment
of the House Committee on Small Business

April 28, 1993

U.S. AND FOREIGN COMMERCIAL SERVICE PROGRAMS SERVE SMALL BUSINESS

It is a pleasure to appear before the Subcommittee today to discuss how the U.S. and Foreign Commercial Service (US&FCS) assists small businesses become successful exporters.

The Department of Commerce, through the International Trade Administration (ITA) is the lead Federal agency for export promotion. The US&FCS is a unit of ITA and works in conjunction with the country desk officers of the International Economic Policy (IEP) unit, and the industry specialists of the Trade Development (TD) unit of ITA. The US&FCS is a global

network of business professionals providing a wide array of products and services to assist U.S. exporters through 68 domestic offices, and over 130 offices in U.S. embassies and consulates in 65 countries. By design and inclination, small businesses represent the majority of users of US&FCS products and services.

US&FCS commercial officers at foreign posts and US&FCS trade specialists in the U.S. District Offices are dedicated to helping U.S. firms become successful exporters by providing high-quality, reasonably priced products and services targeted to meet their clients' needs.

The US&FCS functions as a catalyst for the U.S. business community, especially for smaller firms which cannot afford to maintain representatives in every potential foreign market. The programs and services offered by the US&FCS are varied and flexible, so that new-to-export U.S. firms can even make sales in foreign markets without resorting to expensive travel abroad.

The implementation of the 1990-92 US&FCS Strategic Review, called for a focused, targeted approach to client assistance, specifically on the "infrequent exporter" and "export ready" firms which are almost exclusively small and medium-sized. The US&FCS is uniquely qualified to provide the kind of specific assistance and information that smaller firms need to help them navigate the complexities of exporting.

The Strategic Review determined that this "core client base" most needed high-quality, value-added export counseling, targeted business contact services, specific market information and overseas trade events appropriate for new-to-export and new-to-market firms.

Export Counseling:

Across the United States, in 68 district and branch offices, US&FCS trade specialists work almost exclusively with small and medium-sized businesses to provide them with detailed, long-term, export marketing and counseling assistance.

During fiscal year 1992 alone, US&FCS trade specialists conducted more than 53,000 counseling sessions in the U.S., assisting more than 3,000 companies in making their first export sale or breaking into a new foreign market.

Based on responses to our quality assurance surveys, 97% of those firms who received counseling in the U.S. "would recommend it to someone else," and 96% "would use it again."

Overseas, US&FCS has commercial officers posted to U.S. embassies and consulates in more than 69 countries, totalling over 130 cities worldwide. During FY92 over 48,000 counseling

sessions for U.S. firms were held overseas, and over 78,000 couseling sessions for host country firms interested in U.S. products and services.

Trade Contact Information:

The US&FCS offers a variety of services designed to assist U.S. companies in identifying foreign markets and potential trade contacts for their products and services. Over the past two years US&FCS's trade contact programs have been focused and upgraded to improve quality and performance:

Agent/Distributor Service (ADS): The ADS provides a custom search overseas for interested and qualified foreign representatives on behalf of a U.S. exporter. A U.S. firm will receive names of up to six foreign companies interested in representing its product in a specified country. New ADS reporting procedures implemented in FY 92 and a revised format have improved ADS content and quality. ADS coverage was recently expanded to include Eastern European countries and Russia.

World Traders Data Report (WTDR): WTDRs are brief background reports regarding the credit-worthiness and reliability of specific foreign firms. Customer satisfaction surveys indicate that 75% of respondents

would probably or definitely use the WTDR service again. In FY 92, WTDR service was expanded to Eastern European countries and Russia.

Trade Opportunity Program (TOP): The TOP program provides timely sales leads from overseas firms seeking to buy or represent U.S. products and services. U.S. commercial officers worldwide gather these leads through local channels. The Journal of Commerce prints TOP leads daily. Foreign government tenders are printed each day in the Commerce Business Daily. Electronic distribution of TOPs through DOC's Electronic Bulletin Board (EBB) has increased the number of companies with access to TOP leads to over 300,000.

Through the counseling efforts of the Baltimore District Office, a small Maryland manufacturer of orthopedic treatment devices took advantage of trade leads to set up 11 exclusive distributors throughout Europe and Asia. Exports now account for 50 percent of the firm's sales.

Market Research:

The US&FCS Market Research program is designed to collect, analyze and disseminate focused, high-quality foreign market research that U.S. firms can use in developing export marketing strategies. The National Trade Data Bank (NTDB) now provides

its more than 2,000 subscribers, including 800 federal depository libraries, with a full-range of timely US&FCS market research reports

The market research program produces three types of research:

Industry Subsector Analysis: specific market research reports prepared by US&FCS posts abroad. Studies focus on high export-potential industry subsectors in the most promising country markets. Currently, 2,700 Industry Subsector Analyses have been written or reviewed within the past 2-3 years and are available through the NTDB and CIMS. 88% of quality assurance survey respondents indicating they "probably" or "definitely would use the product again."

International Market Insights: brief reports on important developments in overseas markets prepared by embassy staff. Subjects covered include new laws, policies and procedures, new trade regulations or changing dynamics in the marketplace. In FY 92, IMI's began being disseminated through the NTDB and CIMS.

Customized Sales Survey: customized market research reports which assess the marketability of a specific U.S. product (e.g., pricing, distribution channels,

competition) in a specific market. The service is now available in 60 countries with 91% of quality assurance survey respondents indicating satisfaction with the results.

Commercial News USA (CNUSA):

CNUSA, an illustrated interntational magazine, provides low-cost, extensive overseas exposure for export-ready U.S. products and services. CNUSA generates substantial overseas new business leads for small U.S. firms without a heavy investment in research and travel. For as little as $495 a listing, a firm can advertise to a distribution of over 700,000, through both printed and electronic media.

In FY92, CNUSA participant follow-up surveys showed a user satisfaction rate of nearly 80%. The typical participant received an average of 65 inquiries and more than $75,000 in sales from a single listing. 96% of FY92 CNUSA listings were from small businesses.

US&FCS Little Rock contacted J.T. Parsons Cabinet Company, Inc., a manufacturer of sewing machine cabinets, to suggest participation in the Arkansas issue of Commercial News USA. As a result of the inquiries from the issue, J.T. Parsons established a trade agreement with a UK firm. The company

counseling, and information based on knowledge of local business conditions. Moreover, companies might gain confidence in and thus more likely use government export promotion programs if the programs were supplied by a single, smoothly functioning local source.

Despite the potential benefits, creating a nationwide network of one-stop shop field offices faces obstacles. Executive branch agencies carefully guard their turf. Different agencies that provide export assistance can be expected to resist any major effort to integrate field operations. In addition, agency officials told us that substantial additional funds might be needed to relocate federal offices, or induce nonfederal government organizations to relocate. Money also would be needed to provide staff with the required training and support. Consequently, we believe that in today's tight budget environment more modest attempts may have to be made to improve small exporters' access to federal export financing and other export promotion programs.

A POSSIBLE PILOT PROGRAM

In our December 1992 report, we proposed a pilot program for partially integrating the delivery in the field of federal export financing and other export promotion programs. This pilot would test out the benefits of integrating all government export

67-723 O - 93 - 4

assistance. Such a pilot could easily integrate the delivery of current export assistance programs provided by US&FCS with those provided by SBA and Eximbank. In the pilot, a small number of loan officers from the SBA's district offices would be stationed at selected US&FCS district offices, so that the field staff of both agencies could jointly provide comprehensive export counseling and export financing assistance.

The selection of pilot sites should be left up to TPCC, SBA, and Commerce. However, based on interviews with Commerce and SBA field staff, we believe that cities that contain large numbers of small- and medium-sized export-capable firms probably should be chosen. Another consideration in picking pilot locations is that in 12 cities, US&FCS and SBA district offices are located in the same building. Including some of these sites in the pilot would minimize the costs of moving staff.

Selecting the right detailees will be crucial to the pilot's success. Having incentives that encourage well-qualified staff to participate in an interagency pilot is important. Often, employees in an agency have little incentive to volunteer to move out of sight of those who supervise and rate them, and the agency has little inducement to encourage them to go. Thus, to assure that well-qualified loan officers volunteer for this assignment, some type of incentive for attracting high-quality staff should be built into the selection procedures. Consideration should be

given to awarding detailees temporary promotions or pay increases.

Adequate training also is critical to the pilot's success. Currently, few of the 600 loan officers assigned to the SBA's 68 district offices are experienced in international finance or in using the SBA's ERLC program or the Eximbank's programs. Training should be sufficient to assure that detailees have the expertise to (1) properly use the SBA's export financing programs, (2) market the Eximbank's programs, and (3) provide at least basic assistance on trade finance matters. Ideally, the detailed loan officers should have enough expertise to help companies fill out applications for Eximbank programs or applications for bank export financing.

The results of the pilot should be formally assessed by TPCC, using a uniform methodology at each pilot site. The pilot's impact might be evaluated using a variety of methods, such as tracking financing provided for export sales or surveying clients.

- - - -

Mr. Chairman and Members of the Subcommittee, this concludes my prepared statement. I will be happy to answer any questions that you or the Subcommittee may have.

(280052)

18

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1000
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066.

Written Statement by Jonathan Menes
Acting Assistant Secretary for Trade Development
U.S. Department of Commerce
Before the House Subcommittee on the Development of
Rural Enterprises, Exports, and the Environment
Committee on Small Business

April 28, 1993

Good morning. I wish to thank you for the opportunity to testify regarding the status of the Trade Promotion Coordinating Committee and the effectiveness of Federal export assistance programs.

The complete coordination of trade promotion activities and development of respective policy is a major task. Title II of the Export Enhancement Act of 1992 (Public Law 102-429) establishes the TPCC under law and mandates the Secretary of Commerce to report to Congress on its duties and responsibilities, to streamline and unify the trade promotion activities and services of its member agencies. By virtue of encompassing all 19 Federal agencies responsible for international trade and export promotion, the TPCC is assigned this task.

My presentation will cover the following topics and address what the TPCC and its member agencies are doing to increase the effectiveness of Federal export assistance programs, including:

- **Efforts of the Trade Promotion Coordinating Committee to Fulfill Its Mandate;**
- **Effectiveness and Necessity of the Trade Information Center;**
- **Differences Between the Small and Large Business Exporter;**
- **New Statistical Capabilities Aiding TPCC Activities;**
- **Small Business Administration Role in the TPCC.**

Efforts of the Trade Promotion Coordinating Committee to Fulfill Its Mandate

The Export Enhancement Act of 1992 codified the TPCC. The TPCC is required to report to Congress on September 30, 1993, on a strategic plan for export promotion, including: 1) government priorities; 2) proposals for the elimination of duplicate or overlapping programs; 3) a unified budget proposal for more Federal trade promotion activities; and 4) proposals for more federal-state cooperation.

It is Secretary Brown's intent to use the TPCC to improve the overall quality of the Federal government's assistance to U.S. business in promoting exports. He intends to hold Cabinet-level meetings more regularly than had been held in the past to ensure high-level focus on export promotion. On March 31, he convened the first TPCC Cabinet-level meeting of the Clinton Administration. The focus of the meeting was to discuss possible initiatives to be undertaken so that the deadline for a strategic plan, as stipulated in the Act, can be met. The following are initiatives underway:

Intensive Focus Groups - Since the TPCC's purpose is to review and change the way government interacts with business to expand exports, working groups should examine each primary area of interaction including: 1) trade finance; 2) obstacles to export; and 3) information/counseling/marketing/advocacy. These working groups will review, among other issues, ways for government to assist small and minority-owned businesses in export promotion. In addition, three working groups will meet periodically on: the environment; U.S.-Asia Environmental Partnership; and small and minority businesses.

Deputies Group - At this meeting it was decided that a Deputies Group would be co-chaired by John Rollwagen, Deputy Secretary Designate of Commerce, and Ken Brody, Chairman Designate of the Export-Import Bank. The Deputies Group will commence work on setting the objectives for the TPCC and drafting the strategic plan, with strong input from the working groups. This objectives group will consult frequently with each working group to ensure coordination.

The following are initiatives under discussion:

- Expansion of the One-Stop-Shop Concept - The successful operation of the Trade Information Center (TIC) could be enhanced by assigning program experts from other major export assistance programs/agencies to the TIC. This would increase the TIC's "firepower", enabling it to function more as a one-stop information center in addition to being a referral point. Additionally, a pilot one-stop-shop could be instituted in at least one major U.S. location, which would combine local offices of Commerce with those of other TPCC agencies, such as the Small Business Administration.

- Export Financing - Exporter access to sources of financing, both Federal sources and private banks, needs improvement. First, the coordination of Federal agencies in the financing area (Eximbank, TDA, OPIC, AID, SBA) needs strengthening. Second, regulatory barriers need to be reviewed to encourage broader use of export financing by U.S. banks. Third, export financing should be included as a major component of outreach seminars and information centers in cities nationwide.

- Target Sector or Country Specific Exports - A process for identifying key geographic or sector targets for major export expansion needs to be developed. Subsequently, resources should focus on these targets.

- Export Impediments - The feasibility of easing regulatory impediments to exporting, such as and product standards and testing, needs to be reviewed. Easing regulations may require adjustments in Federal legislation. For example, a greater effort must be made with the European Community to adjust standards and testing requirements.

Effectiveness and Necessity for the Trade Information Center

The Trade Information Center is an access point within the U.S. Government for comprehensive counseling on programs available from 19 Federal agencies designed to assist U.S. businesses in exporting. The Center's staff of International Trade Specialists guides businesses through the export process and advises them on how to locate and use government programs, including those that provide:

- Export Counseling;
- International Market Research and Trade Leads;
- Overseas and Domestic Trade Events and Activities;
- Export Financing;
- Advice on Documentation and Licensing Requirements.

Center staff answers a wide variety of questions ranging from how to respond to an international order, to what the top foreign markets are for a particular product.

Callers can receive free reports and statistics from the computerized National Trade Data Bank (NTDB), which includes over 100,000 government documents related to export promotion and international markets. Through the Center's National Export Directory (NED), callers can also get information on export assistance programs and international contacts at the state and local level including chambers of commerce, Small Business Development Centers (SBDCs), trade associations, and international banks. Recently, the NED was placed on the National Trade Data Bank, the Economic Bulletin Board, and in Business America magazine.

Since opening in May 1991, the Trade Information Center has provided timely, accurate, "on-the-spot" counseling to over 85,000 businesses nationwide on its toll-free line, 1-800-USA-TRADE (1-800-872-8723). Approximately sixty percent of these calls are from small and medium-sized businesses. Currently, trade specialists provide information to over 1,100 callers per week, mostly new-to-export and new-to-market firms. About one-third of the calls the Center receives are from manufacturers, one-third from distributors or export trading companies, and the remainder from consultants, service providers, government or private sector export assistance organizations. Approximately two-thirds of the calls received by the Center are answered in-house. When necessary, callers are directed to specific contacts outside the office for in-depth counseling.

While the Center's primary goal is to provide expert advice and counseling to U.S. exporters, staff also promotes Federal export assistance programs and the Center's services. Center staff are regularly requested to give presentations on Federal export promotion programs to corporations, association meetings, universities, and inter-agency and departmental meetings. Staff also brief

embassy officials, foreign service officers, and official foreign visitors to the Center.

Positive feedback from the private sector is evidenced in the numerous newsletters, articles, and television and radio broadcasts that have been developed on the services the Center provides. Recently, the Center mailed quality assurance surveys to a random sampling of businesses who contacted the Center. Preliminary results indicate that customers are overwhelmingly satisfied with the quality of the information provided.

Center staff have developed a strong network of contacts with program managers within Commerce, other TPCC agencies, state and local development agencies, and directly with the U.S. business community. The Center is recognized at Commerce and other TPCC agencies as the "one-stop-shop" for export assistance provided by the U.S. Government, and many calls are directed to the Center from throughout the Federal system. Additionally, the Center is recognized by state and local governments as a comprehensive clearinghouse for information on a national scale.

Created to be a major program of the TPCC, the Center's "one-stop-shop" approach is an excellent vehicle for keeping abreast of the trade activities and programs of its member agencies, and collecting and disseminating this information for public use. Furthermore, the Center supports the goals and mandate of the TPCC in several ways:

- A major goal of the TPCC is to streamline and coordinate multiagency-sponsored seminars, exhibitions, and trade missions. To assist in this goal, the Trade Information Center maintains and updates a computerized calendar of U.S. Government-sponsored domestic and overseas trade events. The calendar appears on the Economic Bulletin Board for the use of its 19 member Federal agencies and the general public.

- The Center maintains a database of substantive callers which tracks all relevant business information (e.g., size of company, level of exporting, geographic area of interest, etc.) for purposes of client tracking and follow-up. Tailored caller reports have been sent to TPCC agencies such as the Department of Agriculture, Small Business Administration, and Trade and Development Agency, for their information and follow-up.

For example, USDA plans to use the information provided by the Center for outreach activities the Department is organizing, such as trade fairs and exhibitions.

Differences Between the Small and Large Business Exporter

In our view, the level of company experience, rather than size alone, is more of a determining factor of the type and extent of export assistance companies need. However, small exporting firms generally have more needs and requirements, compared to larger exporting firms, due to their more limited resources and experiences. Common problems faced by small business exporters include: 1) incomplete knowledge of overseas markets; 2) a lack of awareness of available export assistance and promotion programs; and 3) the necessity of relying more heavily on financing to transact business overseas.

Serious exporters, both small and large, require specific and up-to-date marketing information and research. However, small exporting businesses do not have the economic means and risk-taking capabilities that larger firms have to invest in marketing internationally. Lacking large international marketing

departments to turn to, small businesses are more likely to turn to Federal, state, and local information offices and programs as their link to the global market. They may use U.S. and Foreign Commercial Service district offices, the Trade Information Center, state business development agencies, local Small Business Development Centers, Commerce Department trade promotion events, and other export assistance and promotion programs. Small businesses are likely to utilize export promotion missions, shows, and other promotion vehicles as a primary means of making contacts with prospective customers. On the other hand, many small businesses do enjoy a number of built-in advantages over large firms. Often, small businesses can locate and take advantage of international opportunities before their large competitors can act, since small firms are better equipped to concentrate on niche markets. In many cases, we have found that smaller firms possess much greater flexibility in dealing with their customers and can more easily customize orders to suit individual client needs.

As we have seen over the past number of years, small business exports fuel the engine of growth for our economy. Therefore, it is important for the Federal

government to continue to provide export assistance that is easily available to U.S. firms willing to sell their products overseas.

New Statistical Capabilities Aid TPCC Activities

The ongoing efforts of the TPCC and its member agencies to boost the effectiveness of federal trade promotion programs are being supported by powerful new statistical tools recently developed at the Department of Commerce. As this Committee is aware, federal, state and local export promotion efforts, as well as private sector providers of export service, have long been handicapped by the absence of critical information to guide resource allocation, program design, and targeting of firms most likely to benefit from export promotion services. We have lacked the most basic data on the U.S. exporting community.

For example, we have, until recently, never had reliable figures on the number and size of exporters, the distribution of exporters by industry, the geographic distribution of exporters by state and metropolitan area, or the shares of U.S.

exports attributable to small, medium-sized or large companies. I am happy to report that we have made major progress in overcoming these information deficiencies. The Commerce Department recently developed the capability, known as the Exporter Data Base, which is the result of a pioneering research project carried out by the Census Bureau in cooperation with the International Trade Administration.

The project was launched pursuant to Section 5406 of the Trade and Competitiveness Act of 1988 and involved the unprecedented use of millions of shipping documents to identify exporters among the millions of businesses contained in the Census Bureau's databases. As a result, we now have first-time "benchmark" statistics on exporters in 1987, the year of the last economic census. An updated Exporter Data Base, covering 1992, is being developed in conjunction with the 1992 economic census.

Findings from the EDB dramatically illustrate the importance of small business to U.S. exports. For the first time, we can make statements like the following:

- 104,564 U.S. firms exported domestically produced merchandise in 1987. These firms constituted nearly 7 percent of all U.S. companies classified as manufacturers or intermediaries (wholesalers, retailers, brokers, etc.).

- 87 percent of all exporting companies were small, employing fewer than 100 workers. Sixty-three percent of all exporters were very small companies that employed fewer than 20 people.

- Small companies were responsible for 20 percent, or $48 billion, of U.S. exports of domestic merchandise. This total exceeded exports by medium-sized firms (100-499 employees), which shipped $21 billion of products.

- Of course, large firms dominated U.S. exports. Large companies (500 or more workers) comprised only 3.6 percent of exporting firms in 1987, but were responsible for 71 percent of U.S. exports.

- Surprisingly, nearly two-thirds of all exporting companies were intermediaries, not manufacturers. Intermediaries accounted for a little over one-third of all merchandise exports.

- Intermediaries play a key role in U.S. exports, and the vast majority of these exporters--about 95 percent in 1987--are small.

- 10 percent of small U.S. manufacturing companies exported in 1987. Moreover, nearly 1 out of 5 employees of small manufacturers worked for firms that exported.

- Small companies constituted 73 percent of all manufacturing firms that exported in 1987.

One consequence of the EDB project is that we now have summary information on where exporters are concentrated in the United States. This kind of information is invaluable for export promotion planning and should lead to much more efficient allocation of resources.

For example, in the state of Texas there were 7,732 factories and other business establishments that exported in 1987. About 2,100 were manufacturing establishments; the rest were wholesalers and other intermediaries.

Moreover, we can now track exports from metro areas and zip codes -- and do so on a very current basis. For instance, exports in 1991 from key zip codes in the Chairman's district (zips 762, 763, 791, and 794) totaled $324 million, of which $190 million were manufactured goods.

The bottom line is that the United States now possesses a foreign trade statistical system unmatched by our foreign competitors which can provide a much-needed navigation system for export promotion. Efforts to utilize and disseminate the new data are in the start-up phase; we expect that TPCC member agencies will make increased use of the information in months ahead. The end-results should be more effective delivery of export services to small business -- the companies most in need of export assistance.

Small Business Administration Role in the TPCC

Since the TPCC's inception in 1990, the Committee has always looked to the Small Business Administration as a major link to the U.S. small business community. SBA has played a key role in the past TPCC working groups and will continue to participate in future working groups to explore program improvements and discuss export impediments. Last year, SBA and the International Trade Administration signed a Memorandum of Understanding which clarifies the export, outreach and development efforts of each. (Tab 4)

Some of the major points of the agreement include the following:

- SBA is concentrating its efforts on business development, pre-export counseling, and on export financing programs.

- ITA is concentrating its efforts on counseling export-ready, new-to-market, and infrequent exporters, assisting these firms in the development of export strategies and export facilitation services.

Together, SBA and ITA will increase the amount of export finance information and will, in all possible ways, assist small businesses to obtain access to Federal (e.g., SBA, EXIMBANK, AID, USDA and OPIC), state and local finance programs.

Currently under discussion is the expansion of the "one-stop-shop" concept that is successfully underway at Commerce's Trade Information Center. A pilot program is being discussed to combine components of SBA field offices and the U.S. and Foreign Commercial Services district offices in a key U.S. city. The pilot "grass roots" information office would advise businesses on export promotion information and activities, as well as on trade finance.

Conclusion

Secretary Brown is committed to making the Trade Promotion Coordinating Committee a strong force in coordinating, streamlining, and developing the diverse resources of its 19 member agencies. The role of agencies like the Small Business Administration, and other TPCC programs including Trade Information Center, have made a significant contribution in ensuring continued interagency communication and cooperation. The exchange of information between agencies will help to increase the number and effectiveness of Federal export assistance programs well into the future. Ultimately, it is our every intention to strengthen our ties to the business community, so that American firms everywhere will develop and increase their exporting capabilities.

Mr. Chairman, Mr. Vice-Chairman, and members of the Committee, thank you for the opportunity to testify today.

TESTIMONY OF CHARLES FORD, DEPUTY ASSISTANT SECRETARY FOR INTERNATIONAL OPERATIONS, U.S. DEPARTMENT OF COMMERCE

Testimony before the Subcommittee on the
Development of Rural Enterprises,
Exports and the Environment
of the House Committee on Small Business

April 28, 1993

U.S. AND FOREIGN COMMERCIAL SERVICE PROGRAMS SERVE SMALL BUSINESS

It is a pleasure to appear before the Subcommittee today to discuss how the U.S. and Foreign Commercial Service (US&FCS) assists small businesses become successful exporters.

The Department of Commerce, through the International Trade Administration (ITA) is the lead Federal agency for export promotion. The US&FCS is a unit of ITA and works in conjunction with the country desk officers of the International Economic Policy (IEP) unit, and the industry specialists of the Trade Development (TD) unit of ITA. The US&FCS is a global

network of business professionals providing a wide array of products and services to assist U.S. exporters through 68 domestic offices, and over 130 offices in U.S. embassies and consulates in 65 countries. By design and inclination, small businesses represent the majority of users of US&FCS products and services.

US&FCS commercial officers at foreign posts and US&FCS trade specialists in the U.S. District Offices are dedicated to helping U.S. firms become successful exporters by providing high-quality, reasonably priced products and services targeted to meet their clients' needs.

The US&FCS functions as a catalyst for the U.S. business community, especially for smaller firms which cannot afford to maintain representatives in every potential foreign market. The programs and services offered by the US&FCS are varied and flexible, so that new-to-export U.S. firms can even make sales in foreign markets without resorting to expensive travel abroad.

The implementation of the 1990-92 US&FCS Strategic Review, called for a focused, targeted approach to client assistance, specifically on the "infrequent exporter" and "export ready" firms which are almost exclusively small and medium-sized. The US&FCS is uniquely qualified to provide the kind of specific assistance and information that smaller firms need to help them navigate the complexities of exporting.

The Strategic Review determined that this "core client base" most needed high-quality, value-added export counseling, targeted business contact services, specific market information and overseas trade events appropriate for new-to-export and new-to-market firms.

Export Counseling:

Across the United States, in 68 district and branch offices, US&FCS trade specialists work almost exclusively with small and medium-sized businesses to provide them with detailed, long-term, export marketing and counseling assistance.

During fiscal year 1992 alone, US&FCS trade specialists conducted more than 53,000 counseling sessions in the U.S., assisting more than 3,000 companies in making their first export sale or breaking into a new foreign market.

Based on responses to our quality assurance surveys, 97% of those firms who received counseling in the U.S. "would recommend it to someone else," and 96% "would use it again."

Overseas, US&FCS has commercial officers posted to U.S. embassies and consulates in more than 69 countries, totalling over 130 cities worldwide. During FY92 over 48,000 counseling

sessions for U.S. firms were held overseas, and over 78,000 couseling sessions for host country firms interested in U.S. products and services.

Trade Contact Information:

The US&FCS offers a variety of services designed to assist U.S. companies in identifying foreign markets and potential trade contacts for their products and services. Over the past two years US&FCS's trade contact programs have been focused and upgraded to improve quality and performance:

Agent/Distributor Service (ADS): The ADS provides a custom search overseas for interested and qualified foreign representatives on behalf of a U.S. exporter. A U.S. firm will receive names of up to six foreign companies interested in representing its product in a specified country. New ADS reporting procedures implemented in FY 92 and a revised format have improved ADS content and quality. ADS coverage was recently expanded to include Eastern European countries and Russia.

World Traders Data Report (WTDR): WTDRs are brief background reports regarding the credit-worthiness and reliability of specific foreign firms. Customer satisfaction surveys indicate that 75% of respondents

BOSTON PUBLIC LIBRARY
3 9999 05983 533 8

would probably or definitely use the WTDR service again. In FY 92, WTDR service was expanded to Eastern European countries and Russia.

Trade Opportunity Program (TOP): The TOP program provides timely sales leads from overseas firms seeking to buy or represent U.S. products and services. U.S. commercial officers worldwide gather these leads through local channels. The Journal of Commerce prints TOP leads daily. Foreign government tenders are printed each day in the Commerce Business Daily. Electronic distribution of TOPs through DOC's Electronic Bulletin Board (EBB) has increased the number of companies with access to TOP leads to over 300,000.

Through the counseling efforts of the Baltimore District Office, a small Maryland manufacturer of orthopedic treatment devices took advantage of trade leads to set up 11 exclusive distributors throughout Europe and Asia. Exports now account for 50 percent of the firm's sales.

Market Research:

The US&FCS Market Research program is designed to collect, analyze and disseminate focused, high-quality foreign market research that U.S. firms can use in developing export marketing strategies. The National Trade Data Bank (NTDB) now provides

its more than 2,000 subscribers, including 800 federal depository libraries, with a full-range of timely US&FCS market research reports

The market research program produces three types of research:

Industry Subsector Analysis: specific market research reports prepared by US&FCS posts abroad. Studies focus on high export-potential industry subsectors in the most promising country markets. Currently, 2,700 Industry Subsector Analyses have been written or reviewed within the past 2-3 years and are available through the NTDB and CIMS. 88% of quality assurance survey respondents indicating they "probably" or "definitely would use the product again."

International Market Insights: brief reports on important developments in overseas markets prepared by embassy staff. Subjects covered include new laws, policies and procedures, new trade regulations or changing dynamics in the marketplace. In FY 92, IMI's began being disseminated through the NTDB and CIMS.

Customized Sales Survey: customized market research reports which assess the marketability of a specific U.S. product (e.g., pricing, distribution channels,

competition) in a specific market. The service is now available in 60 countries with 91% of quality assurance survey respondents indicating satisfaction with the results.

Commercial News USA (CNUSA):

CNUSA, an illustrated interntational magazine, provides low-cost, extensive overseas exposure for export-ready U.S. products and services. CNUSA generates substantial overseas new business leads for small U.S. firms without a heavy investment in research and travel. For as little as $495 a listing, a firm can advertise to a distribution of over 700,000, through both printed and electronic media.

In FY92, CNUSA participant follow-up surveys showed a user satisfaction rate of nearly 80%. The typical participant received an average of 65 inquiries and more than $75,000 in sales from a single listing. 96% of FY92 CNUSA listings were from small businesses.

US&FCS Little Rock contacted J.T. Parsons Cabinet Company, Inc., a manufacturer of sewing machine cabinets, to suggest participation in the Arkansas issue of Commercial News USA. As a result of the inquiries from the issue, J.T. Parsons established a trade agreement with a UK firm. The company